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AUG 15 1938 OFFICE CHIEF OF STAFF MIL. INTEL. DIV. 2052-J-622 WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

June 26 - July 15, 1938

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1. Governments of China:

(1) Central Government.

(a) People's Political Council Meets in Hankow.

The "Peepul's" Political Council, the holding of which was provided for during the session of the Sixth National Kuomintang Congress which met in Hankow during the last days of March (see our report No. 9654), convened in Hankow on July 6th and closed on July 15th. As organized, the Council has two hundred members, nominally representing all parties and factions in China. Of these members one hundred and fifty registered their arrival in Hankow and one hundred and thirty six were present at the opening session.

Addressing the opening session of the Council, Generalissimo Chiang Kai-shek stressed the point that the convening of the body refuted charges by the Japanese that China had no united national government. The Generalissimo also declared that the reason China did not possess a democratic form of government was that the people had not carried out their responsibilities. This last appears a little unfair in view of the strangle hold which the Kuomintang maintained on the Chinese government until forced by the present crisis to make some concessions to the Reds and other factions. The Council listened to reports by H.H. Kung on the financial and political situations, from Ho Ying-chin on the military situation, and from Wang Chung-hui on the foreign situation.

On July 13th the Council adopted a resolution pledging support to the National Government by a unanimous vote. In connection with foreign policy the Council suggested, rather naively it appears, that careful attention

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be paid to the selection of members of the foreign service, that embassies and consulates be required to furnish accurate information concerning condition abroad, that prominent Chinese be sent abroad to improve foreign relations, and that the National Government keep the public acquainted with the actual facts of the international situation. As a matter of fact the suggestions, naive or not, might well be heeded by any government.

Just what went on in the closed sessions of the Council has not been disclosed to the public, and no hint of any discord among the delegates has been allowed to appear in the press reports. It seems hardly possible that representatives of so many parties and factions could meet without some heated discussion on a number of topics of national interest, but if such discussions took place, they have not been reported.

The Council on its adjournment issued a three thousand word manifesto which Reuter sums up neatly in the statement that "it appeals to those in every political walk of life to present a united front and strengthen China's resistance, thus bringing the present hostilities to a successful conclusion and paving the way to national reconstruction."

The fact that the Council passed off with no apparent discord among those attending seems a definite indication that Chiang Kai-shek and the Kuomintang are still firmly in the saddle, and that the Reds, the only faction in a position to make trouble for the present administration, are still living up to their determination to play ball with the Kuomintang for the sake of trying to pull the country through the present crisis.

(b) Move of the National Government Away from Hankow. While the present slow progress of the Japanese troops toward Hankow has caused the Chinese Government to soft-pedal talk about removing the seat of government further inland, members of this office in Hankow state that preparations for a shift of the government offices continue behind the scenes. According to a Reuter report of July first, all Chinese Government and Kuomintang offices will be moved to Chungking except the Ministry of Communications which will be established in Changsha where railway and highway administration matters can be handled more conveniently.

Reuter reports that the foreign embassies in Hankow are busy preparing to move to Chungking. The Soviet Embassy has already moved, the majority of its personnel having left Hankow by steamer on July 11th.

As was the case in Nanking before its capture, considerable talk is now going on in Hankow about establishing a zone in which non-combatants can be assured of some degree of safety during the fighting which it is expected will take place before the Chinese finally evacuate Hankow. In this

connection, the British Acting Consul General in Hankow recently stated that British nationals positively would not be evacuated and that it was up to the Japanese to look out for their safety.

(c) Donation of Gold to the Government. A campaign was carried on in the Wuhan cities (Hankow, Wuchang, and Hanyang) from July 7th to 12th to induce patriotic Chinese to contribute gold to the government. Madame Chiang Kai-shek was in charge of one of the stations for receiving contributions on the opening day of the campaign, and she herself is reported to have contributed gold worth $18,000. No reports have appeared as to how much Madame H.H. Kung contributed. Considerable publicity was given to the fact that the Reds, who are known not to have much money, also made contributions. According to press reports the campaign had brought in over a million dollars worth of gold by July 10th.

(d) Economy Movement. Reports from Hankow state that the Chinese Government will shortly promulgate a manifesto urging the people to practice economy in a number of ways, such as refraining from the use of foreign cigarettes, wines, tea, coffee, and cocoa. They will be asked to give up dancing, movies, and attending the theatre, and women will be urged to abstain from eating candy and the use of cosmetics. The money to be saved in this way, according to the report, may be deposited with the government, which will repay it in five years, both principal and interest guaranteed. Apparently with the idea of setting a good example, H.H. Kung is reported to have given up his high powered car and now travels about in a rickshaw, accompanied by two guards on bicycles.

(2) New Governments of China.

(a) Amalgamation. Very little has appeared in the newspapers of late concerning amalgamation of the Provisional Government and the Reformed Government of China. While one hears little discussion on the subject, it appears generally believed that amalgamation is merely a question of time. An indication that the Japanese government will see that amalgamation is carried out in due course was Prince Konoye's recent statement to the press, noted in paragraph 3, sub-paragraph (2), below in which he referred to the new regime, friendly to Japan, which is destined to come into being in China.

Any number of reasons may be behind the failure of Japan to bring about amalgamation of the two new governments which she has created in China, but a likely one appears in the report that General Kita, head of the Special Service Bureau of the Japanese Army in North China, is about to be replaced by another officer, if he has not already been relieved. As the Special Service Bureau is bound to have a considerable hand in amalgamating the Provisional and Reformed Regimes, it is conceivable that the union is being held up until the new incumbent takes over. A late rumor, as yet entirely unconfirmed, states that Lieutenant General Kenji Doihara, until recently commanding the 14th Division, who has just gone

back to Japan after undergoing some harrowing experiences in the fighting near Lanfeng and Kaifeng, Honan, is to return to assume charge of all Special Service activities not only in North China but Central China as well. If Doihara does take over this job, for which he is generally supposed to have special qualifications, it seems probable some developments may be expected in the amalgamation situation.

(b) Finances of the Reformed Government. According to Domei reports, the revenue of the Reformed Government of China has not suffered to any appreciable extent by reason of the recent drastic cuts in the Customs tariffs (see our 9668, Page 8). The receipts for the period June first to twenty-sixth show a decrease of only 650,000 Mex dollars from May, in spite of the fact that import duties on many items were cut from one half to one third on June first.

(c) New Governor of Shansi Installed. Mr. Su Ti-jen was installed in Taiyuan as Governor of Shansi under the Provisional Government on June 28th. For Mr. Su's background, see our No. 9668, Page 7.

(d) Autonomous Commission for Anking. An autonomous commission, composed of five members and a chairman, was set up in Anking, former capital of Anhui Province, on July 11th. The autonomous commission is to function until such time as it can be brought under the Reformed Government of China.

2. First Anniversary of the Outbreak of the War.

The Sino-Japanese war entered its second year on July 7th. As was to be expected, lengthy statements were issued by leaders on both sides. The salient features of some of these statements are summarized below:

The Japanese War Office: Japan has occupied nearly 500,000 square miles of territory, or an area twice the size of Japan, with an estimated population of 130,000,000 people.

General Kazushige Ugaki, the Foreign Minister: The past year has been an eventful one in diplomatic relations involving negotiations with the League of Nations, conferences with the signers of the Nine Power Pact, and other arduous matters in which Japan's success may be attributed to her efforts to reveal to the world the true significance of the China incident. The whole nation should unite solidly to attain the objective of establishing a lasting peace in the Far East and should prepare for further trials ahead.

Generalissimo Chiang Kai-shek: Unless the Japanese people stop the madness of their militarists, there may be no end to the present bloodshed, which, with enmity between the two nations deepening daily, may last for decades or even centuries. China will carry on as long as the Japanese militarists continue their aggressions in China. I am thankful for the aid of friendly nations and would remind

them that peace is indivisible and isolation impracticable. As long as Japanese aggression remains unchecked, the Far East and the world will remain in turmoil. To maintain justice in the world, uphold the sanctity of treaties and protect the happiness of mankind and the heritage of civilization are the common responsibilities of human beings and there should be concerted endeavor to successfully discharge such responsibilities.

Dr. H. H. Kung, Minister of Finance and Vice-President of the Executive Yuan: After one year of fighting Japan has not achieved her goal. Meanwhile China wonders whether the farsighted statesmen of the world will come forward at a timely moment and courageously stop the raging fire of Japan before it spreads to their very homes or whether this generation will declare international moral bankruptcy.

In the above summarized statements of Chiang Kai-shek and H. H. Kung one notes not only appeal for foreign help but censure for the powers friendly to China for not having taken more decisive action, and finally a solemn warning that if Japan is allowed to conquer China, the western powers may be the next to feel the impact of the Japanese war machine.

In Peking the first anniversary of the war was marked by a service of commemoration for the souls of those who have fallen in the conflict. The service was held in the Tai Miao, the great ancestral Temple of the Ching Dynasty in the Forbidden City, and was attended by General Count Terauchi, commanding the Japanese Forces in North China, and other high ranking Japanese officers, as well as by Wang Ke-min, Chairman of the Executive Commission of the Provisional Government, and other Chinese officials. A feature of the meeting was Shinto rites for the departed heroes, a strange sight indeed in the historic precincts of the Tai Miao.

3. Foreign Policy of Japan.

(1) Tokyo Denies Japan Will Abolish Extrality in China.

Referring to Paragraph 1, of our last Comments (No. 9668,) "Japanese to Abolish Extrality in China?" the apparently uncompromising attitude of the Japanese Government, as expressed by the spokesman of the Japanese Embassy in Shanghai on June 24th, has since been toned down considerably. A Domei Tokyo despatch of June 29th stated that the spokesman had been misquoted, and that his alleged remarks to the effect that extrality would be abolished in the occupied areas of China were journalistic "improvements" on what he had really said.

A more authoritative statement on this subject was made in the House of Commons on July 13th by Mr. R. A. Butler, Under-secretary for Foreign Affairs. According to Mr. Butler, the British Government has been officially informed that the Japanese Government considered the question of

extrality one concerning solely the Powers and China, and that all the Japanese Embassy spokesman in Shanghai had meant by his remarks was that if individual foreigners attempted to endanger the safety of the Japanese forces or to impede the conduct of military operations, the Japanese would take the necessary steps against the persons concerned.

It is an old trick of the Japanese to use an underling in the government service to make statements which may arouse strong reactions in foreign circles. Then, if it appears desirable, it is always easy for higher authority to repudiate what was originally said as not representing the real attitude of the Government, or to claim that the original statement had been misunderstood or misquoted.

(2) Possible Loophole for Negotiations with Chiang Kai-shek Government.

In an extended interview with the press on July 6th, Prince Konoye, the Japanese Premier, reiterated the determination of the Japanese Government to have no dealings with the Chinese Central Government, or as it is now commonly referred to in Japan, "the Chiang Kai-shek Regime." Prince Konoye further declared that Japan would not deal with the Central Government even if Chiang Kai-shek were to resign and be replaced by a pro-Japanese statesman. The Premier admitted, however, that the new regime in China which will be formed by the union of the Provisional and the Reformed Governments might, if it so desired, negotiate with the present National Government of China.

According to Reuter's Tokyo correspondent, foreign observers in the Japanese capital attach considerable significance to Prince Konoye's statement that negotiations might be possible between a new Japanese-backed coalition regime in China and the present National Government, as this is interpreted as a possible face-saving device for enabling Japan to enter into peace negotiations with Chiang Kai-shek. Tending to support this view is the fact that the Provisional Government of China, acting in concert with the Reformed Government, recently put out a feeler for peace in the form of an appeal to Chiang Kai-shek and his followers to consider the sufferings of the Chinese people and sue for an armistice. (See our No. 9668, Page 6).

(3) Konoye Blames Foreign Powers for Prolongation of the War.

In a statement printed in the Government "Official Gazette" on July 7th and quoted by Domei, Prince Konoye stated that foreign aid alone is prolonging the life of the Chiang Kai-shek regime. Domei further quotes Prince Konoye to the effect that there is no way of telling whether or not some foreign powers are silently awaiting a change to carry out "unholy" designs against Japan after subjecting her to a war of attrition. Behind the present situation, so Prince Konoye is reported to have declared, loom complicated inter-

national factors and Japan must face the situation and prepare for it as she has never been defeated in a foreign war and owes it to her posterity as well as to her ancestors not to be defeated in any future struggle.

In line with this contention by Prince Konoye that foreign powers are responsible for the prolonging of the present war, he is reported to have stated in his interview with the press, referred to in (2) above, that Japan would take both economic and diplomatic measures to dissuade foreign powers to cease helping Chiang Kai-shek. Foreign observers in Tokyo are reported to attach sinister significance to this statement as presaging possible action indirectly to handicap foreign interests by such means as keeping the Yangtze closed to shipping and obstructing the revival of foreign trade and industry in Japanese occupied areas.

(4) Evacuation of Foreigners from Yangtze Valley.

The Japanese official spokesman in Shanghai on July 11th stated that Japanese consular authorities in that port had sent notes to foreign consuls requesting the voluntary evacuation of foreign nationals from various places in the middle Yangtze Valley, including Chuchow, Changsha, Yochow, Minyang, and Nanchang, as concentrations of Chinese troops in these places made them subject to bombardment. This action on the part of the Japanese followed another announcement by the Shanghai spokesman on July 9th to the effect that the situation on the Yangtze had developed to such an extent that it was necessary to request the withdrawal of foreign merchantmen and warships in the area between Hukow and Hwangshikang, eighty miles upriver from Hukow.

On July 14th, Major Yoshino, formerly Assistant Attache of the Japanese Embassy stationed in Peking, and now connected with the Japanese Special Service (Skulduggery) Bureau, called on the Military Attache and expressed the hope that the American gunboat "Monocacy", now at Kiukiang, would move upstream out of the way of the Japanese Navy in order to avoid possible repetition of the Panay incident.

4. Soviet Russia.

(1) Arrest of General Lushkov.

Press reports, mostly from Japanese sources, have recently made much of stories about the alleged defection of one General Genrich Samoilovitch Lushkov, said to have been Director of the Far Eastern Political Bureau of the Commissariat of the Interior. Japanese reports state that General Lushkov crossed the Manchukuo-Siberian border on June 13th near Hunchun, eastern Manchuria, and allowed himself to be captured by Manchukuo border guards. General Lushkov is said to have fled from Siberia after the discovery of a plot in which he was involved for the assassination of Stalin and the overthrow of the Soviet Government. Valuable military and other informa-

tion connected with Siberia is said to have come into the possession of Japan through the defection of General Lushkov, in spite of the fact that he is supposed to have fled his country solely to save his life, not to betray Russia.

On July 13th, foreign correspondents in Tokyo, with the exception of the "Tass" representative who was not invited to be present, were allowed to interview and photograph General Lushkov. No opportunity was presented, however, to ask the General about possible intervention by Russia in the present Sino-Japanese war. Lushkov, or the person who the Japanese claim is he, was brought to Tokyo from Hsinking on June 16th. Japanese press reports now speak of him as a "political exile." He is said to be living in a hotel and to be receiving good treatment, but he is of course nothing more or less than a prisoner.

When the incident of General Lushkov's capture was first reported, an official of the local Soviet Embassy told the Military Attache that no such person existed, but the accounts of the alleged general's statements to the Japanese military officials sound entirely too circumstantial for it to appear possible that he is not what he claims to be. The first reports of the affair referred to him as "General Ushakoff," which name was later corrected to "Lushkov," and this apparent mistake may have made it possible for the member of the Soviet Embassy to tell the truth when he stated that there was no "General Ushakoff."

Assuming that all the reports about Lushkov are true, it seems improbable that his surrender is a matter of any particular importance, except that it has provided a colorful and interesting story for the public prints.

(2) Manchukuo Border Violated Again.

Alleged violations of the Soviet-Manchukuo border occur so frequently that it appears it would be worth while to prepare a blank form as suggested in the following account of the reports concerning the latest violation of the border:

Date of Alleged Violation: July 12th, 1938

Place of Alleged Violation: Twenty five miles south of Hunchun, Chientao Province, eastern Manchuria, near the point where Manchurian, Russian, and Korean borders approach one another.

Circumstances as Reported from Japanese Sources: Forty Soviet soldiers crossed the border and occupied a mountain, two miles inside the border, known as Changkufeng, and have erected an observation post and dug trenches on this mountain. Observers from the Manchukuo side report concentrations of troops further back in Soviet territory.

Circumstances as Reported from Russian Sources: No reports received.

Developments, if any: Strong protest has been registered by the Manchukuo authorities through the Soviet Consul in Hsinking. Japanese Foreign Office in Tokyo, July 15th, stated serious consequences might result unless Soviet soldiers are withdrawn at once from Changkufeng Mountain, which point is marked as Manchukuo territory on Russian military maps.

Probable Consequences: (In opinion of reporting office): None.

5. Relations of Germany with Japan and China.

(1) German Advisers Depart.

The German military advisers, headed by General Von Falkenhausen, left Hankow on July 5th and arrived in Hongkong on July 8th. Their arrival in Hongkong was delayed by the necessity of repairing the Canton-Kowloon Railway which was badly damaged in air raids on July 7th. It is understood that a few technical advisers still remain in Hankow, but that all military advisers of any importance have left.

The departure of the advisers brings to a close one of the most unusual situations that has recently existed in international relations. With Japan and Germany closely linked by the anti-Comintern pact, the fact that German military experts were rendering most efficient aid to China, during almost a year of a war with Japan has aroused comment throughout the world. That the war was an undeclared one, and that the advisers had not been officially accredited to the Chinese Government by Germany did not alter the essential circumstances in the matter, that the soldiers of one nation were helping another country to make war on an allied nation.

A true and comprehensive account of the activities of the German advisers in China would make fascinating reading, but it is extremely doubtful if any such account will ever be written. The history of the German advisers, like that of the White Russians who served in the armies of the Northern warlords in the last years of their struggles with the Nationalists, who later became the present government of China, will probably be soon forgotten because those who know the facts are not likely to disclose them.

(2) German Ambassador Leaves Hankow.

Dr. Oscar Trautman, the German Ambassador to China, left Hankow on June 26th by air for Hongkong. He was to have sailed for Europe on the 27th, but was compelled to postpone his departure due to the illness of Madame Trautman. Various reasons have been given for the departure of Dr. Trautman from Hankow. A Reuter report from Berlin of June 30th stated

that it was generally understood in German political circles that his withdrawal from Hankow was the result of the pro-Japanese policy of the German Foreign Office and that he would not be replaced, although diplomatic relations with China would be maintained through a charge d'affaires stationed in the Chinese capital. The Japanese press, as is to be expected, has sought to interpret Dr. Trautman 's departure as evidence that Germany, because of her strong adherence to the anti-Comintern pact, intends to break off relations with China, and in support of this view has called attention to the report, emanating from Hankow, that Dr. Chen Tien-fang, the Chinese Ambassador to Germany, will return to China in the near future. It seems probable that not even the Japanese really believe that Germany intends to break off relations with China, especially as Dr. M. Fischer, former German Consul in Peking, assumed charge of the German Embassy in China on July 14th, according to a Reuter report, which further states that Dr. F ischer will leave soon for Hankow with the mission of "repairing and cementing Sino-German friendship."

Judging from all reports from Hankow concerning Dr. Trautman , he left the capital with the good wishes not only of the Chinese Government but of his foreign colleagues. All who know him speak of him as an able diplomat and a sincere friend of China who worked unceasingly, as far as his position would permit, for the best interests of the country to which he was accredited.

(3) Outlook for German Trade in China.

According to Reuter, Berlin, a recent report of the Deutsche-Asiatische Bank states that German trade in China has been very badly affected by the war, and that the outlook for the future is very gloomy. Reference has been made elsewhere in this report to the severe blow dealt German trade by the recent prohibition on the export of furs and skins from Tientsin. The "Manchester Guardian", also states Reuter, claims to have learned that a recent secret report of the German Chamber of Commerce in Shanghai declares the favorable position which German trade enjoyed in China before the war is now gone. The German Chamber of Commerce is also stated to have predicted that Japanese domination of China will mean the end of foreign trade, whereas a free, self-governing China would offer extraordinary openings for foreign business. The Nazis, however, according to the "Guardian", are deaf to the recommendations of the Chamber of Commerce and are backing Japan in the belief that a victorious Nippon will be unable to colonize China without the help of Germany.

6. Relations of Great Britain with China and Japan.

(1) Loan to China.

Reports have been in circulation for some weeks that a loan to China was under consideration by the British Government. Hopes of help for China in this quarter, however, were rudely dashed on July 14th when Sir John Simon, Chancellor of

the Exchequer, stated in the House of Commons that the British Government had no power to grant or guarantee a loan to China without special legislation which the Government did not see fit to introduce at this time. The British Government is reported to have taken the stand that any loan or credits to China must be backed by the Government, which guarantee the Government did not feel prepared to give.

It is but natural that considerable disappointment should be felt in Hankow over this stand on the part of Great Britain, as previous reports from official sources in London had indicated that the British Government was inclined to give full support to the granting of credits, although it was admitted that it would be very difficult for Great Britain to lend money to China or any other country at the present time.

The decision of Great Britain to grant no loans or credits to China, for the present at least, tends to support the view of some observers that while the British public is whole-heartedly pro-Chinese, the Government, or at least certain quarters therein, is not too anxious to see China win a decisive victory over Japan.

(2) Relations between Japan and Great Britain Improving.

A distinct improvement appears in Anglo-Japanese relations, which for some time have been considerably strained. The Tokyo "Nichi Nichi," on July 9th featured a report that General Ugaki, the Foreign Minister, had recently informed Sir Robert Craigie, the British Ambassador to Japan, of Japan's desire to follow a policy of cooperation and conciliation in her dealings with England. The report further stated that Sir Robert had been instructed to express to the Japanese Government the appreciation of Great Britain for this friendly gesture. Along this same line, Mr. Horinouchi, the Japanese Vice-Minister for Foreign Affairs, is reported to have had an interview with Sir Robert Craigie on July 13th in the course of which meeting one of the most troublesome issues now outstanding between Great Britain and Japan, namely that of permitting British shipping to return to the Yangtze River, had neared a satisfactory solution.

(3) British Ambassador Visits Hankow.

Sir Archibald Clarke Kerr, the British Ambassador to China, flew to Hankow from Hongkong on July second. His trip gave rise to the usual rumors that Great Britain was about to mediate in the Sino-Japanese war, which rumors Sir Archibald has emphatically denied, stating, as seems entirely reasonable, that his purpose in visiting Hankow was to enable him to keep in touch with the Government to which he is accredited.

(4) Australia Sending Medical Unit to China.

A London news report of July 9th states that in the near future Australia will send a medical unit to China. The unit, according to the report, will include a staff of doctors and nurses and will carry an operating theatre, x-ray equipment, and motor ambulances.

(5) Lord Mayor's Fund.

On June 27th the London "Daily Telegraph" came out with a twenty four-page supplement on China appealing for contributions to the Lord Mayor's Fund, the total subscriptions to which are stated to have exceeded 130,000 pounds.

(6) Lord Lytton Pleads for Support for the Chinese Dollar.

On July 5th the London press carried an appeal to the British Government from Lord Lytton, who in 1932 headed the League of Nations Commission of Inquiry into the Manchukuo situation, to help maintain the stability of the Chinese currency, which Lord Lytton declared has a material bearing on British interests, aside from any considerations of the justice of China's cause. To judge from the recent stand of the British Government on the question of granting China a loan, the appeal of the Earl of Lytton did not have much effect.

7. Relations of France with China and Japan.

(1) Hainan Island.

Some confusion exists as to reports that France and Great Britain have recently joined in a demarche to the Japanese Government concerning the status of Hainan Island, south of Kwangtung Province. According to London press reports, Mr. R. A. Butler, Under-secretary for Foreign Affairs, stated in the House of Commons on June 27th that the British and French Governments have made it clear to Japan that they regard any occupation of Hainan by Japanese forces as calculated to give rise to undesirable complications, and should such complications arise, the two governments would doubtless afford each other such support as appeared warranted by the circumstances. Official circles in Tokyo, however, have denied that any such stand on the part of Great Britain and France has been communicated to the Japanese Government.

A Secretary of the French Embassy in Peking today informed a member of this office that he knew nothing concerning the Hainan Island situation except what he read in the newspapers, but that he was inclined to believe representations to Japan had been made as stated by Mr. Butler in the House of Commons.

Reference has been made in press reports to the Franco-Japanese treaty of 1907 as a basis for the French objection to the Japanese occupation of Hainan. The Japanese, however, contend that this treaty has no bearing on the case as it does not refer to Hainan. As the pact, found on page 640 of MacMurray's "Treaties," is very short, it is quoted herewith:

> "The Governments of Japan and France, being agreed to respect the independence and integrity of China, as well as the principle of equal treatment in that country for the commerce and subjects or citizens of all nations, and having a special interest in having order and a pacific state of things guaranteed especially in the regions of the Chinese Empire adjacent to the territories where they have the rights of sovereignty, protection or occupation, engage to support each other for securing the peace and security in these regions, with a view to maintaining the respective situation and the territorial rights of the two contracting parties in the Continent of Asia."

Whether or not France has any legal right, however, to object to Japanese occupation of Hainan, it appears plain that the clear enunciation of her stand on the issue, which stand has apparently been backed by Great Britain, has been sufficient to restrain the Japanese Navy from taking possession of the Island.

(2) <u>French Railway Loan to China</u>.

Reuter reported from Tokyo on June 28th that according to Japanese circles an agreement had been concluded at Paris on April 22nd between a French banking syndicate and the China Development Corporation, of which T. V. Soong is President, by which China would obtain a loan of 30,000,000 francs and materials to the value of 120,000,000 francs for railway construction. According to the report, the loan is secured by the revenues of the railway now under construction between Chennankwan (on the Kwangsi-Indo-China border near Langson) and Nanning, and is to be redeemed in twelve years and draw seven percent interest. Railways constructed by this loan will be managed by a joint Franco-Chinese concern.

Reuter, Tokyo, notes that the Japanese attach importance to the fact that the agreement outlined above was concluded after Japan's statement of non-recognition of the Chiang Kai-shek regime, in other words Japan considers the agreement as evidence of an unfriendly spirit on the part of France.

(3) <u>Unpopularity of France in Japan.</u>

For the present, theposition which England has for some months occupied in Japanese public opinion as an unpopular nation seems to have been taken over by France.

While the Japanese government now seems to be making efforts to curry favor with Great Britain, as noted elsewhere in this report, there appears to be a definite campaign on foot to make the general public dislike France. The Japanese press, perhaps not at the direct instigation of the government but certainly not against the wishes of those in authority, has made much of the Hainan and Paracel Islands issues, and has played up the alleged help France has given China by supplying munitions and lending funds for railway construction. Reports have also appeared from time to time that French military advisers would replace the Germans who have just departed.

The Tokyo "Nichi Nichi," which has been one of the prominent participants in the hue and cry against France, came out on July 9th with a story from their Hanoi correspondent, stating that anti-Japanese feeling was rampant in Indo-China, greatly to the consternation of the French authorities. The "Nichi Nichi" took occasion to warn France that she would do well, if she wished to safeguard her hold on Indo-China, to cease her aid to China and reduce her discriminatory tariffs against Japan. The remark about discriminatory tariffs referred to the recent action of the French Government in increasing import duties on certain Japanese products, principally cheap lacquer manufactures and china ware.

Fulminations in the Japanese press against France or any other nation need not be taken too seriously. For months the Japanese papers emptied the vials of their wrath on England, now France seems to have become the object of popular condemnation, and let the United States do something to oppose the onward march of the Mikado's empire and we shall probably see how quickly torrents of abuse will be directed against us.

8. Flood Situation.

The flood situation in the area south of the Yellow River in Honan has not altered materially since our last report. On July 8th the flood waters, said to be moving at the rate of about ten miles a day, were reported to have reached Taihohsien, in northwest Anhui.

The Assistant Military Attache flew over the flood area between Kaifeng and Chungmou on July 3rd. From his observations the repairing of the breaks in the dykes should not be an engineering operation of great difficulty, but even if the dykes are repaired, it will require a long period of time for the restoration of anything like normal conditions in the flooded area. The possibility of carrying on military operations in the area for months, probably until next winter, seems out of the question. Conditions are expected to grow worse during July and August when the Yellow River is normally very high due to heavy rains in Shansi, Shensi, and Honan.

Father F. X. Clougherty, American Catholic missionary in charge of refugee work in Kaifeng, stated to the Assistant Military Attache on July 3rd that 13,000 refugees were being adequately cared for in that city and that there had been very little sickness. He further stated that in his opinion there had been little loss of life among soldiers or civilians but that the Japanese had lost heavily in materiel.

The Yangtze River has flooded its banks in southwest Anhui, hampering Japanese military operations, particularly in the Tsienshan-Taihu area, and the river is reported very high in a number of other places.

Major Yoshino, of the Japanese Special Service Bureau in Peking, informed the Military Attache a few days ago that the Japanese military authorities were greatly concerned lest the Chinese, before evacuating Hankow, should cut the dykes of the Yangtze River. A considerable portion of the Wuhan cities lies below the level of the bed of the river and if the dykes are cut, particularly when the river is high, disastrous floods will result with consequent damage, as Major Yoshino was careful to point out, to foreign property.

9. Shanghai.

(1) Terrorism.

Shanghai passed an exciting day on July 7th, first anniversary of the outbreak of Sino-Japanese hostilities. Fifteen bombings took place, almost all in Hongkew. Two Japanese and four Chinese were shot and killed, while one Japanese, four Chinese, and a Sikh were wounded. Both of the Japanese met death in the American Marine sector, an area in which no killings had previously occurred.

Streets of the Settlement were patrolled all day and into the night by the Seaforth Highlanders, the Japanese Naval Landing Party, the Russian Regiment of the Shanghai Volunteer Corps, and the Shanghai Municipal Police. After dark, armed Japanese gendarmes in plain clothes entered the Settlement south of Soochow Creek and searched pedestrians and motor cars. Our Marines report that this action was carried out over the protest of the Settlement police authorities. Reuter, however, reported that the gendarmes crossed Soochow Creek at the instigation of the Settlement authorities in order to cooperate in seeking out suspicious characters.

July 7th was also marked by a Settlement-wide round-up of suspects, in which soldiers, volunteers, and police cooperated in the biggest hunt for disturbers ever seen in Shanghai.

On July 8th the Japanese Consul General expressed dissatisfaction with the measures taken by the Settlement

police for the prevention of terrorist activities the day before. The sting was taken out of this action, however, by the Japanese military spokesman who expressed pleasure at the effective manner in which the Settlement had been policed all day long on July 7th.

Mr. H. G. W. Woodhead, Shanghai British journalist long known as an outspoken critic of the Chinese, recently severely condemned terroristic activities in the Settlement. Mr. Woodhead ascribes most of these acts to agents of the Chinese Government, and he states that they are seriously endangering the present status and administrative independence of the Settlement. He recommends that persons caught committing acts of violence be turned over to the Japanese for punishment, as the Settlement authorities, under present laws, cannot try a Chinese on a felonious charge. Mr. Woodhead's attitude appears unfair in that a considerable portion of the terroristic acts in Shanghai seem to have been the work of Chinese in Japanese employ, which persons, even though caught in the act, the Settlement authorities are powerless to punish except to a very limited extent.

(3) Settlement Police Return to Hongkew.

On July 10th, thirty Chinese constables of the Shanghai Military Police were permitted to return to Hongkew for duty as traffic directors. This has been taken in foreign circles as presaging a possible return of Hongkew and Yangtzepoo to some degree of Settlement control, although no such announcement has as yet been made by the Japanese authorities. Both Hongkew and Yangtzepoo are in the Settlement area, but since August 13th the Shanghai Municipal Council has been permitted to exercise no authority in these two areas.

(4) Refugees, squatters, and cholera.

Because of the large number of refugees still remaining in the Settlement, the health authorities are concerned over the danger of a serious cholera epidemic. Sixty seven deaths resulted from cholera during the week ending July 9th, and thirty two deaths the week before that. During the week of July 2nd there were 366 cases reported in the Settlement.

In addition to the persons living in refugee centers, the Shanghai press reports that over twenty five thousand squatters are now located in various areas within the Settlement boundaries. The reports state that the Municipal Police will not take steps to evict these squatters until refugee camps to receive them are opened outside the Settlement.

10. Economic.

(1) Grief for Fur Buyers.

On June 30th the Provisional Government of China issued a notification through the Tientsin Customs prohibiting for the time being the export of furs and skins from that port. Thus at a single blow a business estimated by the Customs at $30,000,000 Mex a year, but really believed to amount to considerably more than this sum, was knocked in the head. To make things even worse, the ban was applied to goods already passed by the Customs and ready for shipment. No real reasons for the ban on fur shipments have been advanced other than vague allusions to a desire to give the issues of the new Federal Bank a chance to acquire a stronger position before permitting extensive exports from China.

The real reason is probably that by banning fur exports it was possible to deal a telling blow to a business which has long been almost entirely in the hands of foreigners, particularly Americans. In addition to Americans, however, a large number of Germans both in Tientsin and in the interior of China are engaged in the fur business, and the ban on fur exports, unless lifted, will cut into German export trade to a very serious extent.

Fur and hide exports have also been prohibited from Manchukuo, which hits Tientsin another blow, as most of the goods of this sort are sent from Manchuria to North China for final treatment before shipment abroad.

(2) Central China Water and Power Company Inaugurated.

Destined, according to press reports, to exert monopolistic privileges in Central China over all water works and power plants, the Central China Water and Power Company, a Sino-Japanese organization with a capital of Mex. 25,000,000, was inaugurated in Shanghai on June 30th. The company, according to the public prints, will immediately take over operation of the Nantao and Chapei power plants and water works, as well as similar enterprises in Nanking and Chinkiang.

(3) Chinese Government Meets Payment on Lunghai Railway Loan.

The Campagnie Generale de Chemins de Fer et de Tramways en Chine, a Belgian Syndicate, announced in Shanghai on July 7th that in accordance with its agreement with the Chinese Government of August 25th, 1936, funds have been received from the Ministry of Communications for the payment of coupons due July first on bonds of the various issues of the Lunghai Railway Loans.

According to all indications, the Chinese Government will do everything in its power, in the present crisis, to maintain its credit abroad by meeting promptly the payments due on foreign loans.

(4) Beginning of the End of the B.A.T.

On June 30th the Provisional Government of China issued a notification through the Tientsin Customs prohibiting for the time being the export of furs and skins from that port. Thus at a single blow a business estimated by the Customs at $20,000,000 Mex a year, but really believed to amount to considerably more than this sum, was knocked in the head. To make things even worse, the ban was applied to goods already passed by the Customs and ready for shipment. No real reasons for the ban on fur shipments have been advanced other than vague allusions to a desire to give the issues of the new Federal Bank a chance to acquire a stronger position before permitting extensive exports from China.

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Domei reports from Tokyo under date of July 9th that the "To-A", "Manchuria," and seven other Japanese concerns have completed arrangements to organize a company to buy leaf tobacco in North China, the interested parties putting up thirty million yen. The company is to be known as the "North China Leaf Tobacco Company, Ltd.," with head office in Tsingtao and branch offices in Peking and Tokyo. The company, states the report, will begin operation in the latter part of August. The report emphasizes the fact that there will be no connection whatsoever between this company and the British-American Tobacco Company, or the Yee Tsung Tobacco Company, as it is now called.

High officials of the B.A.T. in Tientsin are quite frank in stating that they expect to be allowed to continue in business just so long as the Japanese are unable to handle the tobacco business in China themselves. At the present time, state the B.A.T. officials, Japanese concerns are able to take care of only a fraction of this business, and the Japanese Army is glad to have the B.A.T. continue for the time being because of the necessity of supplying the Japanese soldier with cigarettes. At the present time the B.A.T. is making so much money, state well informed sources, that the company is facing with equanimity the prospect of being gradually forced out of business, for when the time comes when the organization must close up shop, all who have put their money into the concern will probably long since have realized a handsome return on the investment.

(5) Confiscation of Chinese Industrial Plants in Central China.

The Japanese military and naval authorities announced in Shanghai on July 10th that Chinese industrial establishments in Shanghai and other parts of Central China occupied by the Japanese forces will be required to open under joint Sino-Japanese management and with Japanese technical assistance. It was announced at the same time that in case the owners of such plants are not willing to open under these conditions, temporary Japanese operators would be assigned to put them into operation. It is understood that small Chinese plants will not be required to operate under Sino-Japanese management, but may be run as they were before the war.

The Japanese Army and Navy authorities state that they have been very much annoyed at attempts to stall off Japanese control of Chinese industrial plants by fictitious transfers of such property to nationals of western countries, and that such transfers will not be recognized.

If the policy above outlined is put into effect it will amount to a virtual confiscation of Chinese industrial establishments in the parts of Central China under Japanese control, as the record of "Sino-Japanese cooperation" in the operations of Chinese industrial plants in Tientsin and other cities of North China has shown that under such a system the Chinese supply the plant, labor and the operating capital, the Japanese bosses and the technical assistance, and the Japanese take the profits.

(6) Position of the Chinese Dollar.

"Finance and Commerce," Shanghai, stated on June 14th that unless something happens to disturb the equilibrium of the present situation, it appears that the Chinese dollar will remain at a price between $.175 and $.18 U.S.C., for the time being, but as to what effect the fall of Hankow will have on the currency, no one can predict. Incidentally this paper states that persons who claim to be in the know have been saying that Japan expected to take Hankow in September, but now does not believe occupation possible until October.

This financial paper also states that there is now little interest in exchange allotments in Shanghai, the general impression in business circles being that in spite of the figures released by the Chinese government concerning the amounts of exchange requested and granted, only about two percent of the currency desired is likely to reach the applicant.

11. Communications.

(1) Shanghai-Japan Direct Air Service.

On July 5th direct air mail service was inaugurated between Shanghai and Tokyo. Planes leave Shanghai every Monday, Wednesday, and Friday; and leave Tokyo every Tuesday, Wednesday, and Saturday. Inauguration of this service puts into effect one of the demands made by the Japanese upon the Chinese Government for a year before the outbreak of hostilities.

(2) Yunnan-Burma Automobile Road Completed.

Reuter claims to have learned on good authority that the 500-mile road between Kunming (Yunnanfu), Yunnan, and the western terminus of the Rangoon Railway in Burma, has been completed. According to the report, most of the bridges are built of steel and will carry weights up to ten tons. The trip, says Reuter, from Yunnanfu to the Burma railway takes four days.

(3) Truck Run from Hongkong to Chungking.

Reuter reports that a foreign business man recently travelled by truck from Hongkong to Chungking, via Canton-Fachow-Watlam-K weishan-Yishan-Tuyun-Kweiyang. He found many of the Kwangtung and Kwangsi highways narrow and dangerous, but part of the Kwangsi roads first class. Between Kwangsi border and Kweiyang the road was very bad, in spite of having been recently repaired, but from Kweiyang to Chungking he found the road fairly good. According to the report, heavy truck travel in southwest China is limited by the capacity of the ferries in Kwangtung, which if worked twenty four hours a day would be able to carry only forty eight trucks in each direction. Gas is said to be available all the way from Hongkong to Chungking at fair prices, but oil supplies are scarce, the quality poor, and prices high.

(4) Blow to Foreign Shipping Companies in Central China.

Domei reports the impending liquidation in Shanghai of the Kiangsu-Chekiang Steamship Company operating on Soochow Creek, Whangpoo River, and other waterways in the southern Yangtze Valley. In place of this company, so states the report, there will be formed under the Central China Development Company the Shanghai Inland River Navigation Company to take care of shipping between Shanghai, and Soochow, and Hangchow, and other points. The capital of the new company is to be 2,000,000 Mex, and will be put up, according to Domei, by the China Development Company, the China and Japan Steamship Company, and other stock companies, including foreign concerns. The part of the report about the foreign concerns may be accepted with reserve.

Much has appeared in the public prints for the past several months about interference with the operations of British and other foreign shipping concerns on the Yangtze River and other waterways of Central China. The matter has been frequently brought up in the House of Commons and according to the reports forms one of the important issues now outstanding between Great Britain and Japan. The essentials of the situation are that foreign shipping companies are simply not allowed by the Japanese naval authorities to operate on the Yangtze River, Soochow Creek, the Whangpoo and other streams. Reasons for not permitting foreign companies the use of inland waters are stated as "military necessity," the danger of mines, and other pretexts whose flimsiness is demonstrated by the fact that Japanese merchant vessels are allowed to carry on a roaring trade.

The formation of this new shipping company suggests that it will be a long time before British and other foreign merchant vessels are allowed to ply the inland waters of Central China, and if and when they are permitted to carry on their business, they are likely to be subject to severe restrictions in order to favor the Japanese shipping trade.

12. Mongolia and Manchukuo.

(1) New Head of Mongol State.

Te Wang, Prince of the S ilingol League of Inner Mongolia, was installed as Chairman of the Inner Mongolian Federated Autonomous Government on July first, and General Li Shou-hsin, troops leader in the Manchukuo-Suiyuan hostilities of 1936-1937, was sworn in as Vice Chairman. On July 8th, Prince Te and his Number Two, accompanied by Japanese advisers (perhaps "keepers" would be a more appropriate term than "advisers"), left Houho (Kweisui) for Tatung and Kalgan in order to confer with officials of the North Shansi and South Chahar Autonomous Governments, which together with Te Wang's government, form the Mongolian Border Joint Committee. (For an account of the governments referred to, see our No. 9626).

A member of the German Embassy in Peking who recently visited Inner Mongolia states that scarcely a vestige of Mongol authority now exists in this area, and that Te Wang is simply an unfortunate puppet in the hands of the Japanese.

(2) Japan-Italy-Manchukuo Trade Agreement Signed.

The tripartite trade agreement between Italy, Japan, and Manchukuo, the negotiation of which was carried on during the recent visit of the Italian Economic Mission to Japan and Manchuria, was signed in Tokyo on July 5th.

DDB

Joseph W. Stilwell

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Military Attache

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SEP 19 1938 OFFICE CHIEF OF STAFF MIL., INTEL. DIV. 2055-642 311 WAR DEPARTMENT

COMMENTS ON CURRENT EVENTS

July 16 to August 17, 1938

RECEIVED G/2 W. D. SEP 19 1938

1. The Governments of China
2. Relations of Western Countries with China and Japan
3. Manchukuo
4. Shanghai
5. Economic
6. Communications
7. Local

1. The Governments of China:

(1) The Central Government.

(a) Removal of Seat of Government from H ankow to Chungking. All offices of the Central Government except the War Office have been moved to Chungking. The move of the Foreign Office was completed on July 30th. Mr. Nelson Trusler Johnson, the American Ambassador, left Hankow on the U.S.S. "Luzon" on August second and arrived in Chungking on August tenth. The charges d'affaires of the German and British Embassies departed with their staffs on August 14th and no foreign power now has other than consular representation in Hankow.

Generalissimo Chiang Kai-shek and Madame Chiang remain in Hankow. Dr. H. H. Kung, President of the Executive Yuan and Minister of Finance, and Mr. Wang Ching-wei, Chairman of the Central Political Council, arrived in Chungking on August 5th. According to Reuters, the Chinese National Women's War Relief Association under the Chairmanship of Madame Chiang will remain in Hankow to look after the welfare of refugee women and children, and care for wounded soldiers. The association workers, so states the report, will evacuate Hankow with the military headquarters.

(b) Relations with Soviet Russia. As was to be expected the recent fighting in Changkufeng raised high hopes in Hankow that Russia had decided, whether for China's sake or her own, to go to war with Japan. Some officials and others who were planning on leaving Hankow postponed their departure, and there were even wild predictions that the Chinese government would be back in Nanking by next year. All these hopes, of course, were dashed by the news of the armistice on August 11th.

The opinion is still held in some quarters that Russia has too great a stake in China to permit Japan to capture Hankow. The action at Changkufeng certainly served

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to draw Japan's attention away from the Yangtze valley campaign to a certain extent and it is probable that the recent slowing down of the push on Hankow was partially caused by the situation on the Manchurian border. It may be that if the Japanese drive on Hankow gets dangerously near the objective, Russia may again take action.

Just what is the extent of the aid which Russia has extended to China cannot be stated except in very general terms. The number of aviators and technical experts serving in the Chinese air force and artillery must certainly be several hundred, and it is known that some hundreds of airplanes have been delivered. Our Assistant Naval Attache in Hankow reported on August 10th that Sun Fo had recently closed a second long-term Russian loan agreement (the details of the first, if any, are unknown to this office) by which planes and munitions are to be delivered to the value of 10,000,000 pounds, payment to be made by a barter arrangement. No report of such an agreement has come to this office from any other source than the one mentioned, but it seems highly probable that some such arrangement must be in effect between the two countries.

But regardless of the amount of assistance in men, machines, and materiel which Russia has extended to China, it is not because of this stake that she may strike at Japan again before it is too late to save Hankow. If Russia attacks before Hankow falls it will be because she has decided that the time has come to make war with Japan before the complete collapse of China makes it possible for Japan to assemble a much stronger force in Manchuria than she now can without imperiling her operations in China.

To this office, however, it appears as if Russia has shot her bolt for the present and that those who favor delay in fighting Japan have the greater influence in the councils of the Soviet government.

The Hongkong correspondent of the Tokyo "Nichi Nichi" reported on August 17th that Mr. Luganetz-Orelsky, the Soviet Ambassador to China, who has just returned, according to Japanese reports, from a trip to Moscow, has handed Chiang Kai-shek an ultimatum demanding (1) the mobilization of Communist troops for the defence of Hankow, (2) Soviet advisers to be given supreme command of Chinese military operations, (3) assurance to be given that Hankow will not be abandoned under any circumstances, and (4) that Communist and Central Government generals be equally represented in the Hankow Military Affairs Commission. According to the report, compliance with the ultimatum will bring a maximum of help, while a refusal will result in a complete withdrawal of Soviet assistance. The source is about as unreliable a one as can be imagined for a report concerning relations of China and Russia, but as the story sounds fairly plausible it is repeated here just for what it is worth.

(c) Relations with Chinese Communists. Captain Dorn reports from Hankow that relations between the Kuomintang and the Chinese Communists are not of the best, and that the Communists feel that they are not receiving the cooperation (undoubtedly meaning money and supplies) from the Chinese Government that they should. The Chinese Blue Shirts, the semi-official, semi-secret organization said to function directly under the direction of Chiang Kai-shek, are reported to be working against the interests of the Communists with the tacit approval of the Generalissimo. Communist resentment of this treatment has reached a point, according to Captain Dorn, where it has been openly expressed in the Communist press in Hankow.

Captain Dorn is of the opinion that the inner circle of the Kuomintang has no conception of the meaning of a real united front and is still looking out for its own selfish interests at the expense of other factions, particularly the Communists. So far as the sincerity of the Communists is concerned, the opinion of competent observers for some time has been that they are trying hard to play ball with the Kuomintang in the present crisis. Whether they can continue to do so as the situation in the part of China under Central Government control becomes increasingly difficult remains to be seen. According to Captain Dorn, if the united front is broken, it will be due in no small degree to dirty work on the part of the Blue Shirts and other favorites and hangers-on of Chiang Kai-shek. (Note: If sufficient data can be collected, a Digest report on the Blue Shirts will be forwarded.)

(d) Szechwan. General Chang Chun, former Foreign Minister and now vice-President of the Executive Yuan, has been appointed Director of Chiang Kai-shek's Headquarters for Szechwan, Sikang, and Kweichow, with station in Chungking. General Wang Tsan-hsu, acting Chairman of Szechwan, has been confirmed to this post.

It will be remembered that last year Chiang Kai-shek attempted to appoint General Chang Chun, who is one of his favorite henchmen, as Chairman of Szechwan, but was forced to withdraw the appointment because of the opposition of the Szechwan war lords. The placing of General Chang Chun in charge of the Generalissimo's headquarters in Szechwan accordingly looks very much like a determined effort on the part of Chiang Kai-shek to force his favorite into the most powerful position in the Province, for no local authority, civil or military, is higher than the direct representative of the Generalissimo. The confirmation of General Wang Tsan-hsu, on the other hand, is thus more or less in the nature of a sop to the Szechwan war lords.

Whether or not any serious opposition to General Chang Chun will develop in Szechwan remains to be seen. Generally speaking it appears an unwise move to force him on the leaders of the province - the people are probably indifferent. Captain Dorn believes that Chiang Kai-shek thinks

he will be welcome in Szechwan if he is forced to leave Hankow. It seems impossible, however, that the Szechwan leaders, long known as about as rapacious a set of war lords as ever preyed upon a long-suffering province, will not resent an incursion into their domain of the vast, complicated, and expensive machinery of the Chinese Central Government, to say nothing of the hungry hordes of Chiang Kai-shek's soldiers and the gangs of grasping Kuomintang officials and hangers-on. Szechwan is a huge province, but even so it seems too small to contain in peace and amity all the discordant elements which the fall of Hankow will force into its borders.

According to a Shanghai report, a new delineation of the Szechwan-Sikang boundary has resulted in the incorporation into Sikang, subject to the approval of the Central Government, of twelve hsien which formerly belonged Szechwan.

(e) Safety Zone for Hankow. A movement was inaugurated in Hankow on August 2nd to arrange for the demilitarization of a part of the city if it falls to the Japanese Army, in order to provide a zone of safety for refugees and non-combatants. Sponsors of the movement are the members of an international committee. Reports thus far indicate that the Japanese Army and Navy do not take kindly to the proposition of establishing a safety zone in Hankow.

Foreigners in Hankow have organized a body of special police to function in an emergency, the head of the organization being a British subject. The tax-payers of the former British Concession have passed a resolution to spend Yuan 50,000 for emergency defense measures, and heavy gates and barricades are being erected to protect the area of the former concession.

The former Japanese Concession in Hankow, which was taken over by the city government to be cared for in the absence of the Japanese when they evacuated the port last year, has now been incorporated into the Hankow Municipality as a special district to be administered under the same conditions as the former British Concession.

(f) New Governor of Hopei Leaves to Assume His Post. A Hankow report states that General Lu Chung-lin, one-time subordinate of Feng Yu-hsiang and a former Minister of War, left Loyang on August 9th to reach his province by travelling through the Japanese lines. The report paints a touching picture of General Lu, shouldering a travelling bag, setting out on foot and almost unescorted on his perilous journey. He probably got into an automobile as soon as he reached the edge of town.

Thus a shadow of National Government control is still maintained in North C hina in actual fact probably almost as much as existed just before the war broke out.

(2) The Provisional Government of the Republic of China:

(a) Official of the Reformed Government Visits Peking. General Jen Yuan-tao, accompanied by his Japanese adviser, visited Peking during the early part of August on what the local Chinese press describes as important business, the nature of which, however, was not disclosed. While in Peking General Jen called on Mr. Wang Ke-min and other high officials of the Provisional Government. His visit has given rise to reports of an impending amalgamation of the Provisional and the Reformed Governments, but definite indications to this effect are lacking. It is reported that Mr. Pao Kuan-chen, delegate of the Provisional Government to the Reformed Government, will shortly go to Nanking to return General Jen's visit.

(b) Proposed Reorganization of the Provisional Government. The Tientsin "Yung Pao" which is generally believed to be very close to the Japanese military authorities, reported on August 17th that a reorganization of the Peking Provisional Government has been tentatively agreed upon and will probably be put into effect about the middle of September, when, as the paper confidently predicts, "Hankow will have fallen and the Chiang Kai-shek government reduced to a local administration."

The report states that the tentative plan provides that the existing three bureaux of Internal Affairs, Financial Affairs, and Communications in the Ministry of Administration will be enlarged into ministries of Interior, Finance, and Communications; while the Bureau of Foreign Affairs, at present under the control of the Ministry of Administration, will be placed under the Administrative Commission. The Ministry of Administration is to be abolished, as will also the Ministry of Relief and Rehabilitation, the work of which latter organ will be taken over by the Ministry of the Interior. The paper adds that Mr. Wang Ke-min is being mentioned for the post of Minister of Finance, while Mr. Wang I-tang, present minister of Relief and Rehabilitation, has been definitely designated for the position of Minister of the Interior.

The "Yung Pao" has nothing to say about a possible coming amalgamation of the Provisional and Reformed Governments, but the general impression now in both Chinese and foreign circles is that nothing will be done along this line until after the fall of Hankow.

(c) Provisional Government Sets Up its Own Postal Administration. On August 14th the Provisional Government issued a mandate for the establishment of a Directorate Bureau for the Postal Administration of the Provisional Government of the Republic of China. The Bureau is to function under the Administrative Commission of the Provisional Government. Mr. Pan Fu-hsien, Secretary of the Administrative Commission of the Provisional Government, has been appointed Chief of the Directorate Bureau of the new Postal Administration.

The Provisional Government has announced that the establishment of the new postal administration will not affect mail service with parts of China under the control of the Central Government and that no new issue of stamps is contemplated. Personnel of the new administration is to be drawn from the present force of the Chinese Posts, but "the services of several Japanese experienced in postal work will be made available to the Director's Office."

No announcement has been made as to what is to become of the foreign staff of the Chinese Posts now stationed in the area under the control of the Provisional Government, and the present Postal Commissioner in Peking states that he has no information on this subject. He expects, however, to be allowed to carry on in his present capacity for the time being.

It is probable that there will be no great shake-up in the present organization of the postal administration in North China for some time to come, as it would be manifestly impossible to replace the existing set-up with a new one in a short space of time. Eventually, however, the principle that "to the victor belongs the spoils" will probably result in the replacement of many employees in the higher pay brackets by Japanese or Chinese approved by the Japanese.

At any rate it looks very much as if the long and honorable service of the Posts in north China, a service maintained for many years through war, pestilence, and famine with unbelievable efficiency, has come to a close. If the new administration can equal the record of the old one, it will indeed deserve credit.

(d) Administrative Acts of Provisional Government. The Provisional Government has opened an office in Kobe, with Mr. Wang Shou-shan, former Consul General of the Chinese National Government in that city, in charge.

Domei reported on July 19th that the Provisional Government will authorize the Shantung Provincial Government to open provincial male and female normal schools, a higher middle school and a primary school at Tsinan, and a middle school and normal school in each of the seven principal cities of the province.

Reuters reports that the Provisional Government has appropriated Yuan 10,000 for the initial expenses of restoring the law courts in Shansi.

Press reports state that the people of Honan and Shansi have been exempted from paying the land taxes for the first six months of 1938.

(e) Activities of the Hsin Min Hui. According to Domei, branches of the Hsin Min Hui, the semi-political society established by the Japanese Army in North China as a means of popularizing the new regime here, have been established in Taian, Tehsien, and Tsingtao in Shantung. The third

entrance examination for the Hsin Min Institute, a training school maintained by the Society, will be held in Peking on August 18th and 19th, and the results will be announced on August 25th. The Institute has already graduated two classes of students, all of whom, according to local press reports, have secured employment in the Provisional Government.

(Note: Digest report on the Hsin Min Hui will be forwarded in the near future.)

(e) Japanese advisers for Hsien Magistrates. According to reports in the local Chinese press, Japanese are to be appointed as assistants to all "hsien" magistrates under the Provisional Government. Through these men, who will be selected from among the Japanese pacification agents in North China, local officials hope to keep in close contact with the "hsien" governments.

Approximately 50 Japanese will be chosen to receive special training in Peking for about two months before taking their positions.

(3) The Inner Mongolian Autonomous Government.

(a) Kalgan to Become a Special Municipal Area. A report from Kalgan states that the Mongolian Border Commission (Mengchiang Hui) is considering making Kalgan into a special municipal area because of its importance as a commercial center for the three autonomous governments of Inner Mongolia, North Shansi, and South Chahar which make up the Commission.

(b) Issues of the Mengchiang Bank. According to a report from a Japanese source in Kalgan, the Mengchiang (Mongol border) Bank, which was founded last December, has issued up to July 27th, Yuan 21,514,000 worth of notes. The bank, according to the report, immediately after its organization took over Yuan 9,000,000 worth of the note issues of the now non-existent South Chahar Bank.

In connection with this report it is interesting to note that according to a Chinese who carries on a considerable business in Mongol curios, Federal Reserve notes are not accepted in Inner Mongolia except in areas where Japanese control is strong enough to force them on the people.

(c) Mongol Government Bans Export of Copper. Reuters, Kalgan, reports under date of August first that the Inner Mongolian Autonomous Government has banned the export of all forms of copper, including copper coins, and all articles of which the principal ingredient is copper. Violators of the ban are liable to a fine of not less than Yuan 5,000 and three years in prison.

(d) Chahar Government to Permit Foreigners to Own Land. According to Domei, the South Chahar Autonomous Government on

July 15th promulgated a new land law by which foreigners can own land. The catch in the law is that only foreigners who are nationals of a government which recognizes the South Chahar administration are entitled to the benefits of the new legislation.

2. Relations of Western Countries with China and Japan.

(1) Relations of the United States with China and Japan.

(a) Return of Americans to Occupied Areas. It was announced in Washington on July 17th that the Japanese authorities had promised to allow the gradual return of Americans to their property in Chinese territory occupied by the Japanese Army, but the Japanese reserve the right to decide whether actual conditions in any given area warrant such return. In effect this means that the Japanese Army can keep American citizens out of occupied areas indefinitely so that the promise of the Japanese authorities means very little. According to press reports, Mr. Cordell Hull, the Secretary of State, has indicated that the issue has not been settled to the satisfaction of the United States Government.

(b) American Mission Claim in Shansi Settled. The Japanese Army during the latter part of July paid the American Board Mission in Fenyang (Fenchow), Shansi, Yen 3,000 for damage done to the mission property in the course of military operations on February first, 1938. The Army has also promised to try to ship the material necessary for repairs by rail from Tientsin.

(c) A merican Merchant Vessel Enters Tsingtao Harbor. The first American, and incidentally the first non-Japanese merchant vessel, to enter Tsingtao harbor since December, 1937, steamed up to the docks in that port on July 25th. This was the Asiatic Petroleum Company's tanker, "Haikwang", under charter by the Standard Oil Company, carrying 500 tons of gasoline for the U.S. Asiatic Fleet. At the time the vessel entered port it was hoped that it might presage relaxing of the restrictions against foreign shipping in Tsingtao, but no reports have been received to indicate any improvement in this direction.

(d) U.S. Marines Show Firmness in Shanghai. On July 28th, the Commanding Officer of the 4th Marines in Shanghai announced that due to violations by the Japanese Army of the agreement concerning the passage of trucks through the American sector of the International Settlement, permission was withdrawn for the Japanese to move armed men or vehicles through the area. The restrictions were withdrawn on July 29th after the Japanese military authorities had promised to live up to the terms of the agreement.

(e) Americans Slapped in the Face in Chefoo by Japanese. Japanese soldiers, particularly when on sentry or patrol duty, seem to be prone to express displeasure with foreigners by slapping them in the face. Two Americans, Mr. Harry Clark, a

naval reservist, and Mr. Albert Wilkins, both residents of Chefoo, were slapped by a member of a Japanese military patrol in that port on July 29th when they were walking in the streets after curfew. The incident was reported to the American Consul.

The penchant of the Japanese for slapping foreigners may some day result in a serious incident, but thus far the foreigners seem to have made a fairly good job of turning the other cheek.

(f) American Wheat Loan to China. It was announced in Washington on August 16th that the United States expects to sell approximately one hundred million bushels of wheat in foreign markets and it is believed that some of this will be sold to China on a loan basis. Terms of this wheat loan will doubtless be reported in the near future.

It will be interesting to note the reaction of Japan to this wheat loan. Hitherto, America has come in for very little adverse criticism from Japan over her treatment of China in the present war, principally because America has sold more munitions of war to Japan than to China. It is believed, however, that if the wheat loan should appear to be of any considerable aid to China, there will be an immediate reaction in Japan and the United States may come in for a share of the contumely which has been so freely heaped upon England, and more recently upon France, since the outbreak of the war.

(2) Relations of Great Britain with Japan and China.

(a) Great Britain's Firm Stand on Foreign Policy. A most significant statement concerning British foreign policy was made in the House of Commons on July 26th by Mr. Neville Chamberlain, the Prime Minister, "Let nobody, either in Britain or elsewhere," said Mr. Chamberlain, "for one moment imagine that, although we seek peace, we are willing to sacrifice, even for peace, British honor and British vital interests." While Mr. Chamberlain did not make this pronouncement as applicable particularly to Japan, it seems very probable that Mr. Yoshida, the Japanese Ambassador to Great Britain, who was present at the time, could not have failed to catch the connection. Referring specifically, however, to Japan's claim that her recent actions in China have been prompted by the necessity of protecting her own interests, Mr. Chamberlain said, "We also have our own interests in China, and we cannot stand by and see them sacrificed."

Great Britain's position vis-a-vis the Far Eastern situation was very clearly summed up by Mr. Chamberlain in the course of his remarks on foreign policy referred to above. He pointed out that in view of the fact that the Brussels Conference of December, 1937, had shown that no proposal involving intervention in the Far East on the part of members of the League of Nations would stand any chance of acceptance, it was manifestly impossible for Great Britain alone to undertake such intervention. As far as a loan to China was concerned,

Mr. Chamberlain stated that after long and anxious consideration, the British Government had decided that it would not be justified in granting such a loan, first because of the hypothetical value of the security involved, and second because of the uncertainty that the loan could achieve the object for whichit would be granted. The British Government was still, according to Mr. Chamberlain, considering forms of assistance to China not involving a loan.

The day after Mr. Chamberlain made his noteworthy remarks on foreign relations in the House of Commons, Lord Halifax, the Foreign Secretary, followed in the House of Lords with even more specific and significant statements concerning the relations of Great Britain and Japan. Under a barrage of questions concerning the status of the many outstanding issues involving British rights and interests in China, Lord Halifax declared, "The British Government is already considering possible action open to us if we do not secure adequate consideration for the interests which we have the right to protect." He further maintained, referring to Japanese claims that their actions in China were in defence of their interests, that Great Britain had every right to expect that the Japanese should recognize that England, as well as Japan, had interests to protect, and was not unmindful of her responsibilities which she had every intention of discharging.

These statements of Mr. Chamberlain and Lord Halifax concerning British policy toward foreign countries in general and Japan in particular aroused an immediate reaction in the Japanese press. A number of Japanese papers, particularly those of a more violently nationalist tone, branded the statements as bluff and there were sarcastic references to the failure of Great Britain to intimidate Italy on the Abyssinian issue and contentions that she would have no more success in attempting to use the same tactics against Japan in the China situation. The Tokyo "Asahi", in a piece of typical Oriental reasoning, placed all blame for the present difficulties between England and Japan squarely upon the former by saying that had it not been for the assistance rendered by Great Britain to the Chiang Kai-shek regime, the China incident would have been over long ago.

While the Japanese government probably regarded the fulminations of the Japanese press concerning Britain's statements of foreign policy with equanimity if not with approval, nevertheless the reaction to these statements in official circles was not nearly so violent as in the public prints. General Ugaki, the Foreign Minister, is reported to have stated at a Cabinet meeting on July 29th that Japan was prepared to give consideration to British complaints of bad treatment in China on condition that the Japanese position in China should be clearly understood by England. This statement might be interpreted to mean that as long as Great Britain is willing to see Japan take over China, she may expect some considerationn of her rights in that country. But whatever General Ugaki meant, there can be no complaint on the restrained nature of the language in which it was couched.

Mr. Masayuki Tani, Japan's Ambassador-at-Large in China, whose mission in this country is generally taken in foreign circles to be that of smoothing over as much as possible the high-handed acts of the Army and Navy, responded to the British statements on July 31st with an appeal to third powers to be patient in securing satisfaction from Japan regarding their rights and interests in the zone of military operations. Mr. Tani's remarks, delivered to Japanese pressmen in Shanghai on July thirty-first, sound conciliatory enough but also make it clear to Great Britain that Japan now considers herself the dominant power in China. Expressing the hope that foreign powers would take cognizance of the fact that Japan is now concentrating her energy upon military operations, Mr. Tani declared that allowance should be made for delays in implementing Japan's guarantees of foreign rights and interests. His admonition to Great Britain not to forget who is now master in China is contained in the following words:

"Britain, as indicated by debates in the House of Commons is showing a strong attitude in respect of Far Eastern problems but this should be taken to indicate that she has now been placed in a position to have to recognize the results of Japan's military victories in China.

"It should be regarded as a sign that Britain has come to rely on Japan which is really able to protect her rights and interests in China, as she can no longer leave matters to the powerless Chiang Kai-shek regime. Some adhere to the view that Britain intends to aid the Chiang K ai-shek administration. I cannot subscribe to such an opinion because I can't believe Britain, which is so keen about her interests, should bet on a losing horse.

"<u>The logical conclusion should be that Britain, if she wants to maintain her rights and interests in China, should depend upon Japan.</u>"

Lord Halifax's recent statement that Great Britain is considering action to assure respect for her interests in China has of course aroused speculation as to what course, outside of armed intervention, is open to Great Britain in this connection. It seems probable that a restriction upon the importation of Japanese goods into England and her colonies would be a likely action for Great Britain to take in retaliation against Japan's interference with British business interests in China. Press reports from London indicate that such action has been seriously considered by the British Government and may yet be put into effect.

Concerning the many issues now outstanding between Great Britain and Japan, delay in the solution of which has so greatly irked the members of the British Parliament, Mr. R. A. Butler, Under-secretary for Foreign Affairs, announced in the House of Commons on July 26th that all these issues

would shortly be taken up in Tokyo in conversations between the British Ambassador to Japan, Sir Robert Craigie, and the Japanese Foreign Minister, General Ugaki. Among the numerous questions to be considered in these conversations were those of re-opening of the Yangtze River to merchant ships of nations other than Japan, the removal of restrictions on foreign business enterprises in areas controlled by the Japanese Army, the breaking of the Japanese monopoly of the Mongolian wool trade, the lifting of the ban on the export of hides and skins from Tientsin, the return of British subjects to Nanking and other places from which they are now barred, the opening of Tsingtao docking facilities to British ships, the settling of several cases of mistreatment of British subjects in the Shanghai Foreign Settlement and other places, and many other matters.

It is known that the conversations between Sir Robert Craigie and General Ugaki have begun, but visible evidences of any material progress in the settlement of the issues involved are lacking. It has been announced that British and American citizens will be permitted to return to Nanking when the military situation permits, which means that the Japanese Army can keep them out of the former capital indefinitely. It has also been announced that British subjects will shortly be permitted to return to Kiukiang, but no definite date has been set for this permission to become effective. As to opening the Yangtze to navigation, which is a most vital issue for Great Britain because of her large shipping interests which formerly operated in Chinese coastal and inland waters, there appears to be little hope that Japan will modify her policy of allowing only Japanese merchant vessels to sail the rivers of China. Rear Admiral Noda, spokesman of the Japanese Ministry of the Navy, announced in Tokyo on August 18th that floating mines in the Yangtze still made it impossible to open the stream to navigation. Japanese merchant vessels, apparently, cannot be harmed by such mines, for such ships have been plying the Yangtze ever since the fall of Nanking.

(b) <u>British Subjects Roughly Treated by Japanese in Shanghai</u>. Adding to the already considerable list of British subjects who have suffered rough treatment at the hands of the Japanese military in Shanghai and elsewhere, Mrs. Dorothea Lintihac, and a British-born police officer, Mr. W.W. L. Hamlyn are alleged to have been pushed around by a Japanese sentry on the Garden Bridge, which connects the Bund with Hongkew, on July 30th. The sentry is reported to have shoved the lady from one side of the road to the other for alleged failure to observe traffic regulations and when the police officer interfered, he was slapped in the face by the Japanese. Next day Mrs. Lintilhac, this time in company with another Britisher, again became involved with the Japanese military, this time at Chapoo Road Bridge. Both she and her male companion were arrested and detained by the Japanese military authorities for five hours because of alleged failure to observe military regulations.

It was announced a few days ago that a permanent post of Seaforth Highlanders has been established on the Garden Bridge, which will probably assure foreigners who have occasion to cross the bridge more consideration of their rights than they have received since the Japanese posted a sentry there.

(c) Great Britain to Protect Her Interests in Hankow. One hundred and ten British blue-jackets arrived in Hankow on July 19th by train from Canton for the protection of British property in Hankow. This brings the total number of blue-jackets available for the defense of British interests in Hankow to three hundred and forty. Four British gunboats are moored at the Hankow Bund. While no announcement has been made to this effect, it is generally believed that, in the event of the capture of Hankow by the Japanese, British bluejackets will be landed to protect the area included in the former British Concession. It has already been announced that this section will be used as a rallying point by British subjects in the event of Japanese occupation, but it has also been specifically stated that British subjects also intend to maintain themselves on their properties located at points other than those included in the old British concession.

(d) British Ambassador Returns to Shanghai from Hongkong. The British Ambassador to China, Sir Archibald Clark Kerr, who arrived in Hankow on July 2nd left that port for Changsha on July 25th. From Changsha he proceeded by motor to Kweilin on July 28th and from there to Wuchow where he took a gunboat for Hongkong, arriving there on August third. He left Hongkong for Shanghai on August fifth.

If Sir Archibald's visit to Hankow and other points in China had any special significance, it has not become apparent at this time.

(e) British Sailor Insults Japanese Flag. A sailor of a British war vessel on shore leave in Tsingtao on August 17th tore down a Japanese flag, stamped upon it, and spat upon it. He was arrested but was released after he had signed an apology for the incident. According to the report of the senior British naval officer in Tsingtao, other British sailors who had nothing to do with the incident were also arrested and were not released until the morning of the 18th when the British consul called upon the Japanese authorities.

(f) Chinese Wounded Removed from British Hospital.

According to a Reuters report, armed Japanese forcibly entered the British Church Missionary Hospital in Hangchow, Chekiang, on July 31st and removed one hundred and three wounded Chinese soldiers. The report states that the Japanese military authorities had previously given written permission to intern the soldiers in the hospital for the duration of the war. The wounded Chinese, states the report, were driven away in trucks and have not been heard of since.

(g) Strength of British Forces in the Far East. The strength of the British forces in Hongkong, Shanghai, and Tientsin on July 1st, 1938, was 445 officers and 8,087 men, as compared with 214 officers and 2,267 men on July 1, 1937.

(h). Jardine Matheson and Company Purchase Chinese Steamer. Reuters reports that on August 5th the Indo-China Steam Navigation Company, a subsidiary of the British firm of Jardine Matheson and Company, purchased the S.S. "Haiheng", one of the four fast modern ships built in Britain with British Boxer Indemnity funds.

The four ships were to form the nucleus of a modern Chinese merchant marine. Reuter understands that the other three ships will also be purchased by the same company in the near future. All four ships, which were previously operated by the Chinese Merchants Steam Navigation company, have been tied up in Hongkong harbor since the commencement of hostilities.

As the four ships mentioned above were operated by the China Merchants Company for the Chinese Government and were not the property of the company, they were not included in the recent sale of the holdings of the China Merchants Company to the American firm of William Hunt and Company.

(3) Relations of France with Japan and China.

(a) Members of French Embassy Guard Clash with Japanese. A cabaret incident aroused international interest in Peking on August 16th, when two French soldiers became involved in a brawl with a Korean. The Japanese and French versions of the affair differ, but the essential facts in the case appear to be that two French soldiers beat a Korean severely in a cabaret near the Legation Quarter, after which they started to return to their barracks. Before reaching their barracks they were arrested by members of the Japanese military police and confined in the Japanese Embassy. One was released the same night but the other was held incommunicado until the 18th.

The French Embassy has protested to the Japanese military authorities on the ground that the Japanese military police had no right to arrest and detain members of the French Embassy Guard. The Administrative Commission of the Diplomatic Quarter has also protested on the grounds that no one but Legation Quarter police has authority to make arrests of foreigners in the Diplomatic Quarter, and that after such arrests the foreigners must be immediately turned over to their Embassy or Legation. The Japanese explain the arrest on the grounds that because of the seriousness of the case it was not possible to wait for the Legation Quarter Police to take action, and that they were justified in holding the French soldier because the injuries of the Korean were so severe that it was feared he might die. Latest reports concerning the Korean state that he will probably recover but may never be the same.

Since the release of the two French soldiers the case has been transferred to the Embassies concerned for settlement.

(b) Japanese Claim French Concession in Tientsin a Communist Base. On July 29th the Japanese Consul General in Tientsin protested to the authorities of the French Municipal Council in that city because of the refusal of the French authorities to hand over to the Japanese sixteen Chinese alleged to have been caught printing counterfeit currency for the use of Chinese communists. The protest claims that the French action in this case constitutes a violation of a promise that the French Concession would not be permitted to become a base for the activities of Chinese communists. The protest, if quoted correctly in the press, closes on the following threatening note:

> "It must be emphasized here that the Japanese authorities will under no circumstances be able to allow the French Concession area to become the base and center of anti-Japanese and Communistic maneuvers and such moves as are intended to disturb the financial position of North China."

(c) Japanese Press Attitude toward France. During the period of this report the tone of the Japanese press, as far as this office has been able to note, appears definitely less hostile toward France than it was at the time our last Comments were written. A Domei despatch from Hongkong dated August 15th stated that the French authorities in Indo-China appear to be taking definite heed of the irritation of the public opinion in Japan over the supply of arms to China through Hanoi and Haiphong, and are consequently restricting as much as possible the amount of munitions sent to China via the Hanoi-Yunnan Railway.

Domei recently printed without comment an item to the effect that French naval forces are active off the coast of south China and that the French are steadily strengthening naval and military establishments in Kwangchow Bay. Domei also reports that seven French submarines arrived at the Paracel Islands on August 4th.

(d) French Attitude in the Recent Soviet-Japanese Crisis. Reuters on August 5th reported from Paris that M. Leon Blum, former Premier of the French Government, writing in the "Populaire," official organ of the French Socialist party, declared that if Germany should lend Japan armed aid for attacking Russia, France would become involved in the hostilities. M. Blum also stated that should Germany seize a Soviet-Japanese crisis as an opportunity to adopt a stronger attitude in the Czechoslovakian issue, France would also become involved in this case.

(e) France Protests Damage to her Property in Canton. On August 11th the French Ambassador in Tokyo presented a protest to the Japanese Government over the bombing of the

French hospital in Canton on June 7th and the damage to the French Cathedral in that city on August 8th when air bombs burst in front of the structure, causing heavy damage to the interior and killing nearly one hundred Chinese who had sought sanctuary in the grounds. Both properties were plainly marked with French flags.

(4) Relations of Germany with China.

(a) German Charge d'Affaires Leaves for Hankow. Dr. M. Fischer, recently appointed Charge d'Affaires of the German Embassy in China, left Shanghai enroute for Hankow via Hongkong on July 22nd. He is now in Chungking. Reports are current in Peking that Dr. Oskar Trautmann, former German Ambassador to China, has incurred the disfavor of Herr Hitler because of his support of China since the outbreak of the war with Japan and will be retired from the diplomatic service.

(b) German Government Decorates Chinese Ambassador. A Berlin report states that Herr Hitler conferred the Grand Cross of the German Eagle on Dr. Cheng Tien-fang, the Chinese Ambassador to Germany, before his departure from Berlin on August second. Dr. Cheng is to visit England and Scandinavian countries before returning to China.

(c) German Advisers. Captain Dorn reports from Hankow that the Chinese Government is quietly assembling a new staff of German military advisers.

General von Falkenhausen, former chief of German military advisers in China, arrived in Berlin on August 13th. The London "Daily Herald" printed on July 21st a statement which General van Falkenhausen is alleged to have made to the Singapore correspondent of that paper to the effect that he believed China would eventually win the war and that the Japanese army was greatly overestimated by European powers. On August 14th, the Paris "Excelsior" quoted von Falkenhausen to the effect that no single nation could defeat China, particularly Japan, and that time was working very much against the Japanese armies. Havas, Berlin, however, states that von Falkenhausen had no statement to make on his arrival in Berlin.

This office doubts very much if von Falkenhausen made any such statement as were attributed to him by the London "Daily Herald," and the Paris "Excelsior," considering him much too old a campaigner not to realize that such statements might involve him in considerable trouble.

3. Manchukuo:

(1) Relations with Germany.

Domei reports from Hsinking that a revised trade agreement between Germany and Manchukuo was signed on August 8th. The exact terms of the agreement have not yet been

learned, but it is understood that it provides for an increase of German purchases of soya beans from Yen 100,000,000 to Yen 200,000,000 and for Manchukuo purchases of machinery and other products to be increased from Yen 25,000,000 to Yen 50,000,000.

Mr. Lu Yi-wen has been appointed Manchukuo's first Minister to Germany, and Mr. Tsunaichi Ohara, vice-Governor of Chientao Province, Manchukuo, has been appointed Counsellor of the new Legation. Mr. An Tso-yun, Counsellor of the Economic Department of Manchukuo Government has been appointed Manchukuo Consul-General in Hamburg, while Mr. Seitoku Sagawuchi, of the Manchukuo Foreign Affairs Bureau has been appointed vice-consul. It is reported that Herr Knoll, German Trade Commissioner in Hsinking, will become Germany's first minister to Manchukuo.

A Manchukuo Goodwill and Economic Mission left Hsinking on July 30th en route to Europe via Japan. The mission expects to arrive in Germany the end of September and spend three weeks there. The mission is also scheduled to visit Italy and Nationalist Spain. The delegation consists of eight Japanese, nine Manchukuoans, one Mongol and one Korean. The object of the visit is announced as that of strengthening German-Manchurian friendship, promoting closer economic relations between the two countries, and extending the German-Manchukuo trade agreement.

(2) Relations with Poland.

Japanese press reports state that conversations have been begun in Tokyo between the Polish Ambassador and the Japanese Foreign Minister concerning the opening of a Polish consulate in Harbin. Other reports state that a treaty of amity and commerce is shortly to be concluded between Poland and Manchukuo, and that Poland is to extend de jure recognition. Reports from Hankow state that the Chinese Government is very much displeased over these reports and feels that if Poland recognizes Manchukuo she will be violating her obligations to the League of Nations. Just why Poland, as an ally of France, should wish to recognize Manchukuo is difficult to understand.

(3) Manchukuo Tightens Exchange Control.

It was announced in Hsinking on August first that Manchukuo, following the example of Japan, is tightening control of foreign exchange because of her five-year economic plan and the Sino-Japanese war. The foreign exchange business in Manchukuo which has hitherto been handled by the Yokohama Specie and other foreign banks has been transferred to the exclusive control of the Bank of Manchukuo since August first and a bureau for the control of foreign exchange has been established within this bank. Through this bureau, states the "Manchurian Daily News," all exchange funds in Manchuria and the Kwantung territory will be concentrated in the hands

of the bank and all Japanese and foreign banking corporations may be called upon to sell to the bank all bills and foreign currencies which they may acquire in the future.

The step will undoubtedly increase the difficulties of the already sadly harassed foreign business firms in Manchukuo, but in view of the strict application of foreign exchange control in Japan, its extension to Manchukuo is by no means unexpected.

(4) Open Door in Manchukuo Not Yet Closed?

Mr. Charles Bishop Kinney, American citizen employed as a publicity man by the South Manchuria Railway states in his propaganda sheet for July 10th, 1938, that while the United States has made the loudest complaints of any nation about the closing of the open door in Manchuria, American imports from Manchuria in 1937 were only US $3,300,000 while exports were US$16,000,000, five million dollars higher than the peak year of 1929 and three hundred and fifty three percent higher than the exports for 1936. The above figures do not include indirect exports to Manchukuo through Japan.

Mr. Bishop quotes as his authority for these figures "The Far Eastern Survey." The publication is not known to this office, but if the figures are correct, Mr. Bishop's claim that the open door has not been slammed shut so far as the United States is concerned is rather difficult to answer.

4. Shanghai.

(1) Control of Terroristic Activities.

Reference was made in our last Comments (No. 9672, page 16) to the inability of the Shanghai Municipal Police to deal adequately with terrorists because of lack of authority to administer any but mild punishments. In an effort to remedy this situation, on July 19th the Municipal Council issued a proclamation authorizing the police to hand over to the Japanese Army persons committing armed crime in the Settlement. Even this action, however, was not severe enough to satisfy the Japanese residents of Shanghai, who on July 20th issued a statement bitterly assailing the Settlement police for inefficiency and demanding more drastic measures against terrorists.

Under these new regulations for dealing with terroristis, one Chinese has already been handed over to the Japanese and presumably executed. Several others accused of armed crime are being held while the question of turning them over to the Japanese is under consideration. On August 9th a group of fifteen civic organizations in Shanghai sent a cable to President Roosevelt urging him to prevent the delivery of "young Chinese patriots" to the Japanese Army, It is difficult to understand just what steps the organizations thought President Roosevelt could take to control the actions of the Shanghai Municipal Council.

(2) Japanese Army Special Service Section Becomes Shanghai's Public Enemy Number One.

Saturday, August 13th was the first anniversary of the outbreak of hostilities in Shanghai and elaborate precautions were taken to prevent acts of terrorism on that day. Over 15,000 armed men including foreign troops, the Shanghai Volunteer Corps, and police were mobilized. The streets were thoroughly patrolled and pedestrians and motor cars carefully searched.

Although three bombs were thrown in the Settlement on August 12th, the day before the anniversary, killing two and wounding fifteen Chinese, strangely enough the 13th itself would have passed off in comparative peace had it not been for the extremely obnoxious conduct of members of the Special Service Section of the Japanese Army in Shanghai. One group of these worthies rode through the streets of the Settlement in an automobile, firing shots into crowds of Chinese before the car was halted and the occupants, some wearing Chinese clothes, arrested by the Shanghai Municipal police.

The most hateful action of the Special Service Section, however, took place in the American Sector when three Japanese in civilian clothes rode through thearea haranguing crowds and otherwise behaving in a most unruly and provocative manner. When the car was stopped and the occupants ordered to alight for questioning they were truculent and insolent and actually threatened Colonel Price, commanding the 4th Marines, with revolvers. They were finally removed from the car by force, during which process one was hit over the head with a rifle in the hands of a Marine and had to be taken to hospital. Colonel Price very properly demanded and later received an apology from the Japanese colonel at the head of the Special Service Section for this outrageous conduct on the part of members of his organization. The colonel stated that the personnel concerned had been severely reprimanded and steps had been taken to prevent recurrence of any such actions in the future.

The Special Service Section also had a hand in the distribution of anti-Chiang Kai-shek and anti-foreign hand bills in the Settlement on August 13th, some of the latter urging the Chinese to resist Great Britain and France as beasts preying on China. Some of the bills were thrown from an airplane which the Special Service Section later admitted had been hired by the Japanese-controlled Reformed Government authorities in Greater Shanghai.

After the 13th of August had passed the Japanese military authorities had the colossal effrontery to ask the Shanghai Municipal Police to assist in removing hand grenades which the Special Service Section had placed in a hotel near the Louza Police Station. The Japanese stated that the bombs had been put there for the protection of Army personnel on the 13th, but Reuters suggests that there may have been a plan to use the bombs in an attack on the police station in conjunction with Chinese terrorists.

Evidence definitely connecting the Japanese Army with terroristic activities in the Settlement came to light on August 15th when a suspected terrorist admitted membership in a pro-Japanese secret organization known as the "Society of the Imperial Way" (Huang Tao Hui"), which has its headquarters in the New Asia Hotel in Hongkew. As the Settlement Police state that they have known about this society for some time, the Japanese Army must certainly be cognizant of its existence, and it seems highly probable that the organization acts with the approval, if not the direct support, of the military authorities.

Members of the "Imperial Way Society" are blamed for the shooting and killing of Mr. Loh Lien-kwei, Superintendent of Chinese Section of the Shanghai Municipal Police, on August 18th. Mr. Loh was recently placed in charge of the work of investigating this gang and has unearthed much startling information in connection with its activities.

(3) Shanghai Japanese Urge Occupation of the Settlement.

Japanese residents of Shanghai are reported much incensed because on August 14th an officer of the Special Service Section was compelled to stop his car by a soldier of the Seaforth Highlanders who jumped on the running board when the officer ignored a signal to halt as he was driving over the Garden Bridge from Hongkew into the Settlement. Next day the Shanghai "Mainichi" ran a leading article urging the Japanese to claim all Settlement areas and advocating a "revaluing" of status of the Settlement. According to the "Mainichi" the Japanese will not hesitate to use force to enforce their rights in the Settlement.

While such truculent-sounding newspaper talk need not be regarded too seriously, the recent obnoxious actions of the Japanese Army Special Service Section and the increasing amount of evidence showing the Japanese connection with terrorist activities indicate how deeply the Japanese milltarists resent the independent status of the Settlement, and it seems a foregone conclusion that they will leave no stone unturned to remove this splinter in the eye.

(4) Mutiny of the Doomed Battalion.

On August 11th the members of the "Doomed Battalion", who were interned in the Settlement after they were left behind in Chapei when that district was evacuated by Chinese troops last October, staged a mutiny. Causes of the mutiny were stated to be dissatisfaction with rations and resentment because the battalion was recently refused permission to raise the Kuomintang flag and have fire-crackers in camp.

The mutiny was quelled by the Russian Regiment of the Shanghai Volunteer Corps after a fight in which the volunteers used clubs and the Chinese bottles. As five Chinese have since died, the Russians must have wielded their

"batons" with considerable vigor. Four Russians were wounded. After the mutiny was quelled the members of the battalion went on a hunger strike which lasted for four days. A considerable cache of arms was found in the camp after the mutiny, and it is reported that the members of the battalion are to be moved to a new location where they will be less of a menace to the peace and order of the Settlement.

(5) Cholera.

During the week of August 13th, 980 cases of cholera were reported in the Settlement, as against 1239 cases the previous week. Health authorities state that this decrease does not indicate that the epidemic is broken and is probably merely a temporary slackening. A definite break cannot be expected until cool weather arrives.

5. Economic.

(1) Central Government.

(a) Shanghai Trade for the first Six Months of 1938. Figures released by the Chinese Maritime Customs show that imports and exports through Shanghai for the first six months of 1938 dropped sixty percent as compared with the same period in 1937. The figures are given below:

Imports:	January to June, 1938 ...	Yuan 104,000,000
	January to June, 1937 ...	Yuan 363,000,000
Exports:	January to June, 1938 ...	Yuan 73,000,000
	January to June, 1937 ...	Yuan 249,000,000

(b) Canton-Hankow Railway Still Pays. An official report in Hankow on July 18th stated that despite damage from Japanese air raids, the Canton-Hankow Railway made a net profit of four million dollars during the year ending June 30, 1938. One million dollars of this was paid over to the Sino-British Boxer Indemnity Board as an instalment on the loan granted for the completion of the Chuchow-Lokchang section of the line.

(c) China Will Not Keep Up Payments on Dead Horse Railway Bonds. Mr. Chang Chia-ngau, Minister of Communications, announced on July 19th that the Chinese Government will continue service on national railway bonds so long as any parts of the lines concerned are under Chinese National Government operation or control, but that it would be impossible to continue service on the bonds of any railway which has fallen, or falls in the future, completely into Japanese hands.

(d) China's Shipments of Specie Abroad. The amount of gold and silver bullion which China has shipped abroad since the outbreak of the war with Japan has been the subject of considerable speculation. Domei, Tokyo, July 24th, states that up to May 14th, 18,500,000 ounces of gold had been shipped

of which 16,600,000 ounces went to London. Shipments of Chinese silver from Hongkong to London up to April 30th amounted to 320,000,000 ounces, of which 130,000,000 had been transhipped to the United States. The report claims that during May increasingly large shipments of Chinese silver have been sent from London to the United States and that Great Britain is very anxious to see an Anglo-American control of Chinese specie holding established in order to support the Chinese currency, the collapse of which would adversely affect British business interests in China.

As the report points out, no information is available as to the amounts of Chinese specie which have been converted for the acquiring of munitions of war abroad, but reports have recently been received from Hankow which indicate that the Chinese government has sufficient financial resources to keep up the purchase of munitions on the present scale for another six months.

(e) Further Restrictions on Foreign Exchange. The allocation of foreign exchange by the Central Bank of China was further restricted on August 8th when a new ruling went into effect by which facilities for the purchase of foreign exchange will be extended only to importers to cover importations of foreign goods ordered last year. No foreign exchange credit will be given to cover commodities ordered this year unless special permission is obtained from the government for such orders in advance. Applications for foreign exchange credits for the support of Chinese students and Chinese families residing overseas will be considered once a month.

(f) National Government Silver Reserves in North China. On July 31st the Japanese Embassy in Peking and the Provisional Government sent out notices to the foreign embassies and legations in Peking calling attention to the fact that on February 5th, 1938, the Peking Provisional Government abolished the National Government Silver Reserve Custody Committee, created a new committee, and took possession of the silver reserves.

The motive behind the sending out of these communications is that when the Japanese occupied Hopei Province last year, there still remained in Tientsin and Peking around 40,000,000 Chinese silver dollars which had been collected at the time the Chinese Government went off the silver standard in 1935 and had never been remitted to Nanking. In charge of this silver was the National Government Silver Reserves Custody Committee referred to above. When the Japanese abolished this committee and created a new committee the new organ was unable to get possession of the silver because about Yuan 38,000,000 of it was deposited in a foreign bank in the French Concession in Tientsin and the rest in another foreign bank in the Legation Quarter of Peking.

The Japanese are of course very anxious to get their hands on this silver. Early in August the Japanese heard rumors that the silver was to be sent under guard of French troops to the British Bund in Tientsin and there loaded on a British gunboat to be sent to Hongkong. The Japanese Embassy in Peking on August 7th inquired of the Secretary in charge of the British Embassy in Peking concerning this rumored transfer of the silver to Hongkong and were informed that the British Embassy had no knowledge of any such contemplated transfer of the silver away from North China. No further developments in the matter have come to the knowledge of this office. It is believed that the silver will probably remain in its present location for some time, as it is not considered likely that either the French or British authorities would undertake to move it away. In connection with this matter, it is interesting to note that forty million silver dollars would weigh in the neighborhood of twelve hundred and fifty tons, while even the two million dollars now in Peking would weigh around sixty-two tons.

(2) Parts of China Not Under the National Government.

(a) The Provisional Government Devalues the National Currency. On August 7th the Provisional Government issued a proclamation fixing the value of the notes of the Bank of China and Bank of Communications at ninety percent of their face value. Reason for this action is stated to be that the continued depreciation of these notes makes it impracticable to continue their circulation at par with the notes of the Federal Reserve Bank in the area under the jurisdiction of the Provisional Government.

This action appears most unfair because the Provisional Government had previously announced that North China issues of the two Chinese Government banks concerned would be accepted at face value until after March 10, 1939. Furthermore, up until the time of this step to devaluate the National currency, notes of the Bank of China and Bank of Communications actually commanded a premium of about four percent over Federal Reserve notes.

The discount on the National currency has been ignored in the foreign concessions in Tientsin, but locally and in the parts of Tientsin under the control of the Provisional Government it is very generally in force. The Peking foreign exchange banks still accept the National currency at par with the Federal Reserve notes. From the standpoint of a problem in currency control it will be interesting to observe whether or not the discount on the National currency can be continually enforced, for in spite of the decree of the Provisional Government, the general feeling among the people is that the notes of the National Government are worth more than those of the Federal Reserve Bank. For this reason many merchants in Peking are glad of the opportunity to acquire National currency at a ten percent discount in the belief that it must ultimately be accepted again at par with the Federal notes. This feeling appears to be general in spite of the intimidations on the part of the Provisional Government that a further devaluation of the National currency may be put into effect later.

(b) Partial Lifting of the Ban on the Export of Hides and Skins. On July 29th the embargo on the exportation of hides and skins from Tientsin referred to in our Report Number 9672, page 17, has been partially lifted so that the ban now applies only to cow and buffalo hides, sheep skins, and certain kinds of lamb skins. According to press reports, fur exporters in Tientsin are still protesting the ban through their consular representatives and expect a further modification of the present restrictions.

(c) Power Company for Central China. Boding ill for the foreign business interests who have money invested in power concerns in central China, press reports state that a Huachung (Central China) Power Company has been organized in Shanghai. Capital of the new company is to be Yuan 15,000,000, of which China will put up 5,000,000 "in kind" (confiscated property) and Japan will put up the rest in cash (if she can get it). "The China Weekly Review"(Shanghai) points to this company and to the recently organized North China Telegraph and Telephone Company and the Central China Electric Communication Company (see "Communications" below), as very serious threats to foreign interests in China.

(d) Lungyen Iron Mines. According to a report from an official German source, the development of the Lungyen iron mines near Kalgan is being seriously hampered because the Japanese controlled China Development Company cannot raise the equivalent of US$165,000 in German marks to finance the purchase in Germany of certain machinery necessary to modernize the mines. If the report is true, and it comes from a source considered most reliable, it is an indication of the difficulties which Japanese official and semi-official business enterprises are finding themselves in the purchasing of foreign exchange.

(e) Restrictions on Imports and Exports. According to a Reuters report from Tsingtao dated July 31st, the Japanese Navy has prohibited all exports from that port unless they are financed by the Yokohama Specie Bank.

A local press report states that from August first the Provisional Government will put into effect a licensing system for imports and exports. As yet no indications have been noted by this office that any such system has been put into effect, but developments along this line will be closely watched.

A Shanghai report of August 24th states that a ban has been placed on the importation of radio sending and receiving sets into North China, and inquiry among local dealers in these articles confirms the report.

(f) Shares of the North and Central China Development Companies. Domei reports that such portion of the shares of the North and Central China Development Companies as have been offered for sale to the public were oversubscribed on the first day of their sale, August 3rd. On August 5th, Mr. Sonyu Ohtani, President of the North China Development

Company, delivered himself of what this office considers a mouthful when he stated that in his opinion it might be three or four generations before Japan would begin to reap profits from her enterprises in North China.

6. Communications.

(1) Formation of Communications Companies for North and Central China.

With a capital (on paper) of Yuan 35,000,000 the North China Telegraph and Telephone Company was formed on July 31st. According to Domei, the capital will be subscribed as follows: The Provisional Government will put up six million in cash and four million "in kind" (confiscated property of the Ministry of Communications of the National Government), four million each is to be subscribed by the Manchukuo Telegraph and Telephone Company, the Japan Telegraph and Telephone, and the Kokutsu News Agency, and Yuan 13,000,000 worth of shares are to be held "in reserve," in other words they will not be subscribed.

The Peking public prints state that the Company will at once begin to improve the telephone service in Peking," a consummation devoutly to be wished" as it is confidently believed that the present service would rank by any standard of comparison as one of the worst in the world. On August 17th the company issued a circular stating that the installation of automatic telephones in Peking will begin at once, so that perhaps the familiar "chiao na'er" ("calling where?") of the local "hello boy" will soon be heard no more. It will not be missed.

It is also hoped that the new company will be able to improve telegraph service between Peking and Tientsin, for at the present time the two cities are little better off in this respect than were New York and Albany before Samuel Morse perfected his famous invention in 1844. As for telephone service between Peking and Tientsin, it simply does not exist except for those who speak Japanese and can call numbers in the Japanese Concession of Tientsin.

To take care of the communication service of Central China, the Central China Electric Company was inaugurated in Shanghai on July 31st, on a more modest scale, however, than the North China Company, as the capital of the Central China concern is listed as only Yuan 15,000,000 (not stated how much "held in reserve"). The ambitious program of this company, so state the newspaper reports, is "to restore normal communication facilities between various points in Central China and to effect the resumption of radio-telephone facilities between Shanghai and points overseas." In this connection it will be interesting to note when the first foreign business man is able to put through a call from Shanghai to Nanking.

(2) Railway Construction Completed between and Kwangsi.

Captain Fisher of this office, recently in Changsha, Hunan, reports that the construction of the railway between Hengyang, Hunan, and Kweilin, Kwangsi, will be completed in August and that an extension of this line to Nanning, Kwangsi, is now under construction.

7. Local.

(1) Reuters and the Japanese Army at Odds.

Reuters, Peking, recently published a story that Madame Kao Ling-wei, wife of the Governor of Hopei Province, had been slapped in the face by a Japanese soldier while the lday was travelling between Tientsin and Peking. The local Japanese Army spokesman denied this report and tried to get Reuters's local representative to publish a retraction, which he refused to do. In retaliation, the Japanese detailed a whole company of buglers to take up a position in front of Reuters' office and blow calls, by reliefs, all day long. Detectives were also assigned to follow Mr. Oliver, the Reuters' representative, wherever he went in Peking. After a protest by Mr. Oliver both buglers and detectives were called off. Reuters finally published the Japanese version of the story but never retracted its own. The incident would be amusing if it were not for the suggestion that it carries of possible future interference with the freedom of the foreign press in North China.

(2) Anniversary of the Tungchow Incident Observed.

Ceremonies commemorating the massacres of nearly two hundred Japanese and Koreans by members of the East Hopei Paoantui (Peace Preservation Force) in Tungchow on June 29th were held in that city on the first anniversary of the affair. Taking a prominent part in the ceremonies, according to Domei reports, was Madame Yin Ju-keng, wife of the head of the East Hopei Autonomous Government at the time the unfortunate incident occurred. Mr. Yin Ju-keng, who was very much in disfavor with the Japanese after the massacre, is now living in apparent peace and prosperity in this city.

(3) Anniversary of the Fall of Peking Passes Quietly.

The first anniversary of the evacuation of Peking by Chinese troops occurred on July 28th and the day passed off quietly. Extra precautions were taken by military and police to prevent disorder, but there was little interference with the normal course of life in the city.

(4) Anti-Cholera Campaign.

For some weeks all persons travelling between Peking and Tientsin have been required to show evidence of

having received cholera shots or else submit to inoculation on the spot. The same regulations have been enforced at the city gates. The Chinese press states that over 200,000 persons were inoculated against cholera in the month preceding August 5th. While the accuracy of this report cannot be checked, it is certain that a very large number of such inoculations have been carried out. Whether as the result of the compulsory inoculation or not, there have been very few cases of cholera in Peking and Tientsin this summer.

(5) Tientsin Jail Break.

On the night of the 8th of August, inmates of the Third Prison in the western suburbs of Tientsin staged a prison break. According to Japanese accounts, the break was effected with the assistance of a band of 150 bandits or "communists" (all law breakers are "communists" in Japanese reports) who scattered the guards and permitted over two hundred prisoners to escape. Reliable reports, however, state that the convicts had no outside assistance and were able to escape because the guards were few in number and had no firearms. Reliable estimates place the number escaping at around one hundred and sixty of whom about half have been apprehended.

For and in the absence of the Military Attache:

David D. Barrett
DAVID D. BARRETT
Major, Infantry
Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

August 18th - September 13th, 1938

RECEIVED G,2 W. D. OCT 12 1938

1. The Governments of China
2. Japanese Foreign Policy
3. Relations of Foreign Governments with China and Japan
4. Manchukuo
5. Shanghai
6. Economic
7. Local

1. The Governments of China.

(1) The National Government.

(a) Dissension Reported in the Ranks of the United Front. On August 20th the Wuhan Garrison Headquarters ordered the dissolution of a number of local liberal and youth organizations, all supposedly of a patriotic nature. The reason given for the dissolution was that the organizations were either undesirable or unnecessary. Captain Dorn, until recently in Hankow, considers the dissolution of these organizations as definite evidence of a split in the united front, caused by the inability of the reactionary elements in the Kuomintang to get along with the communists, the Southwest faction, the few Kuomintang liberals, and the large number of non-political military leaders, all of whom have united, to the surprise and admiration of the world, in resisting Japanese aggression. Captain Dorn feels that Chiang Kai-shek does not understand the danger resulting from the activities of the Kuomintang reactionaries, and he fears that after the fall of Hankow, a political upheaval may sweep both the Generalissimo and the selfish elements of his party out of power.

Although the dissolution of the so-called patriotic societies caused considerable comment for a few days, not much has been heard recently of the alleged split at least in Peking, and it may be, like previous rifts which have been reported in the ranks of the united front, that conditions are not quite as serious as they appeared for a time. After all, it is very possible that at least until Hankow falls, the various elements of the united front may feel that they had better hang together, for if they do not they will probably hang separately. After the fall of Hankow, however, upheavals in the present set-up of the Chinese National Government would not come as a great surprise. Chiang Kai-shek has been in the saddle a long time and has weathered some severe storms, but the general impression is that his luck cannot last forever, and it will take a great man indeed to retain control of China in the period of distress and uncer-

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tainty which it appears will inevitably follow the loss of Hankow.

(b) China Appeals Again to the League of Nations. It was announced on September 12th that the Chinese Government through Dr. Wellington Koo, Ambassador to France and the Chinese delegate to the League of Nations, had requested the League to invoke Article Seventeen of the League Covenant at the forthcoming meeting of the League Council Assembly. Article Seventeen involves the application of sanctions. It is generally understood that if the League fails to take the action requested, China will withdraw from the League. It is also generally felt, according to reports in the foreign press, that the League can do nothing to help China now any more than it could a year ago.

(c) China's Finances. According to a well informed official foreign source, China's financial resources are in very bad shape and can last only a few weeks more unless substantial help is received from some outside source. Reuter recently reported that China's silver reserves in London had dwindled to Yuan 30,000,000. In spite of these alarming reports, a New York despatch of September 8th stated that shipments from China of silver and silver coin to that city to obtain dollar exchange had been resumed and an initial consignment of USC $3,557,000 had arrived.

Reports that China's finances are very strained have been in circulation for some time, and at the present moment, particularly in view of the alarming situation in Europe, it is difficult to see from what quarter financial aid can be expected. Well informed sources, however, state that the munition supply is assured for at least another six months, and as long as this holds out, China can probably continue military resistance, even if she should be compelled to cease payments on the staggering amounts which she owes to foreign nations.

(2) The Provisional Government of China.

(a) General Doihara Reported in Peking. Lieutenant General Kenji Doihara, generally reputed to be the arch plotter of the Japanese Army, was reported in Peking on August 22nd engaged, according to the local Chinese press, on business connected with the impending reorganization of the Provisional Government (see our Report No. 9679, Page 5) and also with political measures to be taken after the fall of Wuhan. The above is generally taken to mean that General Doihara was here to talk about setting up the new amalgamated regime in China and to promote a scheme to have the Provisional and Reformed Governments come out with a strong appeal to the Chinese National Government to make peace after the fall of Hankow. As a matter of fact, it is not definitely known whether or not Doihara was actually in Peking at the time he was reported to be, and it is much less known on what business he came if he was here. In any event nothing definite has appeared to indicate that a new regime, either

an amalgamation of the two present governments or an entirely new entity, is to be established in the near future. As to the peace talk, there are plenty of rumors in circulation that Japan will make a strong bid for peace through the medium of the two puppet governments after Hankow falls, but whether she will offer any terms which the Chinese National Government will consider is another matter.

(b) Governor of Shansi Visits Peking. Mr. Su Ti-jen, recently appointed Governor of Shansi under the Provisional Government, has been in Peking trying to secure funds for the relief of the people of his province, who, according to him, are in a most desperate condition. Before his arrival he sent a telegram to the Provisional Government saying that nine out of every ten houses in Shansi are empty, which sounds like a considerable but perhaps under the circumstances pardonable exaggeration. According to reports of foreigners in Shansi there is no doubt that funds are badly needed for relief, but whether or not Mr. Su will be able to raise enough to do any good and if he does succeed whether he will spend the money properly are entirely different matters.

(2) The Reformed Government.

(a) The Reformed Government Establishes a Reform School. According to a Domei report of September 8th from Shanghai, the Reformed Government will shortly establish a "Reform School," not, however, for the purpose for which such institutions are usually intended in the United States, but to train young men for the service of the Reformed Government. The school, according to the report, will be set up in the formerly Chinese-owned Fu Tan University near Shanghai and will train selected young men from middle and higher schools in the Japanese language, history of Asian races, history of Chinese economy and other subjects which will fit them to become useful servants of the public weal. The course in the subjects mentioned will run six months.

(b) Reformed Government Offices in Shanghai Move to New Quarters. Although the headquarters of the Reformed Government were nominally removed to Nanking several months ago, a number of important offices are still maintained in Shanghai. On August 27th these offices were moved from the New Asia Hotel to new quarters in various buildings formerly housing departments of the Greater Shanghai Municipal Government. The fact that the Reformed Government maintained offices for so long in the New Asia Hotel was due to its connection with the Special Service Section of the Japanese Army, as the hostelry in question is under the direct control of this branch of the Japanese military establishment, and much of the pro-Japanese terroristic activity carried on in Shanghai since its capture by the Japanese is generally supposed to have been directed from this hotel.

2. Japan's Foreign Policy.

(1) Evacuation of the Japanese Nationals from Tientsin Concessions.

Great excitement was caused in Peking and Tientsin by a report on September first that an order had been issued by the Special Service Section of the Japanese Army directing all Japanese having places or business or residences in the British and French Concessions to withdraw from these areas within ten days. It was estimated that the order affected 1,800 persons.

After the report concerning this order came out, both the Japanese Foreign Office in Tokyo and the Headquarters of the Japanese Forces in North China in Peking denied any connection with the matter, and it is generally believed that the Special Service Section was entirely responsible for the action. Japanese official quarters, however, did not hesitate to name a number of reasons on account of which a Japanese withdrawal from the French and British Concessions might be ordered. Among the reasons given were alleged failure of the authorities of the concessions to cooperate in the suppression of anti-Japanese and pro-communist activities, the use of the concessions as bases for guerrilla operations, and the failure of the residents of the concessions to support certain measures recently initiated by the Provisional Government for the control of exchange. Specifically, the Japanese admit they are displeased because they are not allowed to make arrests as they wish in the Concessions, because they cannot control the telegraph and telephone offices still maintained there, because it is generally understood that the Chinese guerrillas operating in Hopei have a headquarters and radio station in the French Concession, because they cannot get their hands on about forty million yuan in silver dollars belonging to the Bank of China and the Bank of Communications now stored in the French Concession, and because the recent order of the Provisional Government that issues of the Chinese national banks should be discounted ten percent has been ignored in both the concessions concerned.

Due to mediation by the American and British consuls in Tientsin with the Japanese authorities, and possibly also because of pressure from government circles in Japan, the Special Service Section has apparently been compelled to haul in its horns a bit and the execution of the evacuation order is now reported held in abeyance for the time being. Evidences of preparations on the part of both individuals and business firms to move are, however, reported as plainly visible in Tientsin and a putting into effect of the order at any time would not come as a surprise.

Rumors are being widely circulated that the Japanese plan either to isolate the concessions or occupy them by force. It has also been suggested that Japan, expecting war to break out in Europe, plans definitely to come to the support of her ally, Germany, by an occupation of all foreign settlements in China.

Whatever is behind the affair, this office is definitely of the opinion that it bodes no good for the nationals of countries which do not subscribe to the anti-Comintern pact. No such portent has appeared in the recent history of Japan's actions in China without some momentous consequences and it will be a surprise if this one turns out to be meaningless.

(2) Japanese Air Force Attacks Non-Military Planes.

On August 24th a China National Aviation Company plane enroute from Hongkong to Hankow was attacked by Japanese Army planes and forced down near Shekki, south-east of Canton. The plane was subjected to machine gun attack in the air, forced down in a creek. The Japanese then continued to machine gun the ship, apparently with the intention of killing every one in it. A report that Sun Fo was on the plane is believed to have been responsible for the attack. The American pilot, the co-pilot, and one passenger, the last two both Chinese, escaped, but fourteen passengers, including two women and two children, and two members of the crew of the plane, in all sixteen persons, all Chinese, perished. As many as thirteen machine gun bullets were found in some of the bodies which were later removed from the plane.

The report of the shooting down of the plane caused a sensation in Shanghai, and attempts were made by news censors, admittedly acting under the orders of the Japanese authorities, to suppress telegrams on the subject.

The official Japanese explanation of the affair was that the plane attempted to hide in a cloud bank when Japanese army planes approached and then tried to run away, which caused it to be mistaken for an enemy bomber. The Japanese maintained, however, that machine gunning ceased as soon as it was discovered, after the ship had been forced down, that it was not a military aeroplane.

The United States Government protested against the shooting down of the plane on the grounds that lives of American nationals had been endangered and because the CNAC (China National Aviation Corporation) is a Sino-American corporation. This protest was politely rejected by the Japanese Government on the grounds that the Company was a Chinese organization and also because the American version of the affair differed too widely from the Japanese side of the story.

After the shooting down of this plane, the Japanese officially announced that no immunity from attack could be guaranteed to any civil airplane which flew over a war zone, and that the only way such machines could avoid danger was to stay out of the air. It was announced at the same time that companies operating civil planes, in order to avoid as much as possible the danger of attack, should give full details in advance concerning their flights, including a complete description of all passengers to be carried and a statement of the business on which such passengers were travelling.

On September fifth a plane of the Eurasia Company, a German-Chinese concern, enroute from Hongkong to Yunnan was attacked by Japanese air planes and forced down near the Kwangtung-Kwangsi border. Although the plane was struck by machine gun bullets, no casualties resulted and the ship was able to proceed on its way after emergency repairs. German nationals on board included the pilot and three passengers, one of whom was a woman. The Japanese explained the attack on the grounds that the plane was mistaken for an enemy bomber and that the attack ceased as soon as the real identity of the plane was discovered. It was also pointed out that no notice concerning the flight of the plane in question had been received and that no guarantee of safety could be given to Eurasia or any other planes unless such notice was given in advance.

Another Eurasia plane was shot down on September sixth near Hankow. This machine is reported to have taken off from a Hankow airfield on the approach of Japanese raiding planes. The plane carried only a Chinese crew, of which the pilot was reported injured. The Japanese claimed that when the machine took the air on the approach of attacking planes, it was mistaken for an enemy bomber.

The Eurasia Company was reported to have suspended all services after the shooting down of these two planes, but later reports state that the company has effected an arrangement with France by which the Eurasia planes will fly from Yunnanfu to Hanoi and return, passengers and mail between Hanoi and Hongkong to be carried in the French ships.

(3) Recent Japanese Pronouncements on Foreign Policy.

The spokesman of the Japanese Foreign Office on August 24th announced that Japan would accord "unqualified respect" to the rights and interests of third party powers in China, irrespective of the policy of these powers toward China.

Prince Konoye, the Japanese Premier, in addressing a delegation of Hitler Youth at Karuizawa, Japan, on August 28th, stated that Japan is not fighting the Chinese people, but only the Chiang Kai-shek administration. The members of the Hitler Youth Party probably did not recall a similar statement made about twenty one years ago by the President of the United States concerning the German people and the Imperial German Government.

The Spokesman of the Foreign Office announced on August 24th that several foreign missionaries had been permitted to return to Nanking and that some foreign hospitals and dispensaries had been allowed to open.

General Itagaki, the Japanese Foreign Minister, stated on August 20th that after the fall of Hankow, now a mere matter of time, there would be no question of Japan ceasing her military operations in China until and unless the Chiang Kai-shek regime actually collapses. He further stated that Japan would modify her policy toward the Chiang Kai-shek regime if it were to come under the jurisdiction of the new governments now established in China, but that there could be no question of conciliation with a government headed by Chiang Kai-shek.

3. Relations of Foreign Governments with China and Japan.

(1) The United States.

(a) Protest Against Censorship of American Mail. On August twenty-third the American Consul General in Shanghai protested to the Japanese authorities against the censorship of books and magazines sent to American citizens in Shanghai from the United States. The protest was based on the action of the Japanese authorities in removing parts of the New York "Times," "Asia," "The Reader's Digest," and "Time," all of which had been addressed to the Chinese-American Publishing Company, an American firm. Also several books addressed to the same company had been held up. The protest denied the right of the Japanese authorities to withhold the property of American citizens.

Censorship of American magazines coming into Peking has been carried out with more or less irregularity for some time. In connection with Japan's attempts to keep what they consider undesirable printed matter away from foreigners, it is amusing to note that a member of the American Embassy recently found a copy of the Japan Number of "Ballyhoo," filled with the most insulting attacks on Japan, openly displayed for sale at the magazine stand in the Wagon Lits Hotel, which hostelry has been crowded with Japanese guests for months.

(b) American in Shanghai Cable Request for Implementing of Nine-Power Treaty. On September first the American Chamber of Commerce and the American Community organization in Shanghai cabled the United States Department of State requesting that definite steps be taken to bring about a restoration of the prestige of the Nine Power Treaty. No report has reached this office of any action having been taken on the request.

(c) Mine-Sweeping Incident in Yangtze River. Reports were circulated in the press on August 27th that Japanese naval vessels engaged in mine-sweeping operations in the Yangtze had exploded mines near the "Monocacy", anchored at Kiukiang, thereby endangering that vessel. The

Japanese Navy Office later denied that any such incident had occurred and claimed that there had been perfect understanding and cooperation concerning mine sweeping operations between the Japanese Navy and the commanders of both the "Monocacy" and the "Cockchafer," the latter a British gunboat. The Navy stated that the report of friction concerning the mine sweeping operations was a base canard circulated in an attempt to create bad feeling between Japan and third powers.

(2) Great Britain.

(a) Diplomatic Conversations Concerning Affairs in China. According to the press reports, Sir Robert Craigie, the British Ambassador to Japan, and General Ugaki, the Japanese Foreign Minister, have met on several occasions during the period of this report to discuss the numerous issues outstanding between Great Britain and Japan concerning the situation in China, but no reports have been received to indicate that any material progress has been made toward a solution of these problems.

(b) Another Assault on British Subjects in Shanghai. Three British subjects are alleged to have been assaulted by a Japanese soldier in Shanghai on September 10th while they were proceeding, under the escort of Japanese and foreign police, along Broadway in Yangtzepoo toward the Shanghai Waterworks. According to the reports, the car was stopped by a Japanese in uniform who attacked the Britons and beat them with his fists and a drawn sword. The Japanese is also alleged to have thrown lighted matches into the face of one of the Britons, slightly injuring him.

The throwing of lighted matches is a new form of harassing the British, as far as is known to this office. The thought suggested by these continued assaults on British subjects is, "How long, Oh Lord, how long!"

(c) British Soldier Detained by Japanese in Shanghai. On September 12th a soldier of the British Seaforth Highlanders was detained by the Japanese Naval Landing Party in Shanghai for several hours because of an alleged violation of the boundary between British and Japanese controlled territory. The British version of the story is that the soldier stepped a few paces into Japanese territory while repairing wire defences along the boundary, and that Japanese soldiers frequently enter the British sector under similar circumstances without interference on the part of the British.

(d) Banning of the "Peking and Tientsin Times". The British Embassy in Peking on September 8th protested to the Japanese Embassy against the barring from the mails of the British-owned "Peking and Tientsin Times." This paper has been banned from the mails by an official order of the Peking Provisional Government, in other words by the Japanese, ever since the first of September. The paper is now delivered in Peking by courier.

It is generally felt that the banning of the "Peking and Tientsin Times" was entirely unjustified as the paper has been eminently fair in its news reports and editorials. It has of course unfavorably criticized the Japanese at times but always in restrained and moderate terms.

There has been no interference with the American-owned "North China Star," which is taken in some circles as an indication that this paper has rather leaned over backward in efforts to avoid affronting the Japanese. The editor of the "Star" did, however, print an editorial condemning the action of the Japanese in banning the "Peking and Tientsin Times" from the mails, which act appeared as a courageous and fairminded gesture on his part.

The "Journal de Pekin," one of the most innocuous sheets in the world, has also been banned from the mails by the Japanese and the French Embassy has protested. Neither the French or British protests on the subject of the action against the papers of their respective nationals has produced any visible results.

(3) Soviet Russia.

(a) New Chinese Ambassador to Russia Presents Credentials. The new Chinese Ambassador to Soviet Russia, General Yang Chieh, presented his credentials in Moscow on September 6th. The Chinese press in Hankow predicts that his assumption of duties in the Russian capital will result in closer relations between China and the Soviet as the post of Chinese Ambassador to the latter country has been vacant for some six months.

(b) Commission for Demarcation of the Soviet-Manchukuo Border. Japanese reports from Moscow state that question in connection with the appointment of the commission to demarcate the Soviet-Manchukuo border in the Changkufeng area are nearing a satisfactory settlement. According to the reports, the commission will consider the demarcation only of the small portion of the border immediately north of the Tumen River in the area of the recent hostilities.

(c) Japanese Consulates Closed in Blagovestchensk and Harbarovsk. The personnel of the Japanese consulates in Blagovestchensk and Harbarovsk are reported to have arrived in Japan from Siberia on August 13th, the consulate having been closed at the demand of the Soviet Government. According to Tokyo reports, however, the Japanese Government does not consider the question of the closing of these consulates as settled and will press the matter of having them reopened. The Soviet contention is that the number of Japanese citizens in these two places does not warrant the maintenance of consulates and that the Japanese consular authorities there are nothing more or less than spies.

The Japanese press continues to maintain a conciliatory tone in its reports concerning matters dealing with

Soviet Russia, which is in decided contrast to the attitude of the press before the Changkufeng hostilities. It seems very evident that Japan wants no war with Russia at the present moment.

(4) Italy.

Rumors were in circulation around August 20th that Italy was secretly attempting to mediate in the Far Eastern conflict, but the reports were officially denied in both Rome and Tokyo. The Japanese Foreign Office pointed out in connection with the rumors that with Hankow about to fall, Japan had no interest in making peace with the Chiang Kai-shek Government.

(5) Germany.

Four Germans were arrested near Hongkong on September 6th by the Chinese authorities on the charge of photographing areas of military importance on the border between China and British controlled territory. All were employees of German firms in Hongkong. They were released after the photographs taken proved to be of an innocuous nature.

(6) France.

(a) Alleged Lease of Hainan Island to France. The Tokyo "Yomiuri Shimbun" carried a report on August 23rd that France had obtained a long term lease on Hainan Island in return for promises of military assistance. The Japanese Foreign Office stated next day that no such report had reached the Japanese Government, but if it were true, Japan would be compelled to "take some steps."

The Japanese Foreign Office denied on August 24th that the Japanese Government had accepted the French occupation of the Paracel Islands.

(b) Apology and Indemnity Demanded for Alleged Assault on Japanese Subject. Domei states that the Japanese military authorities have demanded an apology from the senior officer of the French Embassy Guard for the alleged assault by French soldiers on a Korean in a cafe brawl on August 16th. Payment of an indemnity to the injured party has also been demanded. It is understood that the apology has been made but that the question of the indemnity has not yet been settled. The Korean is reported on the way to recovery.

4. Manchukuo.

(1) Trade Agreement with Germany Signed.

The Manchukuo-Japan-Italy Trade Agreement was signed in Tokyo on August 24th and came into effect on September first. The agreement consists of nine articles with a preamble. Text of the agreement will be forwarded as soon as complete copies thereof are received.

(2) Good Will Mission Arrives in Italy.

The Manchukuo Mission of good will and friendship arrived at Naples on September 6th and was received in Rome by Premier Mussolini the next day.

(3) Manchukuo Bank Opens Branches in Peking and Tientsin.

Branches of the Manchukuo Bank were opened in Peking and Tientsin on September first. According to press reports, one of the principal reasons for the opening of these branches is to call in the issues of the Manchoukuo Bank now outstanding in North China in order to promote the free circulation of the notes of the Federal Reserve Bank.

5. Shanghai.

(1) Riot of Interned Soldiers in the French Concession.

Seven hundred Chinese soldiers interned in the French Concession during the fighting in Nantao last December mutinied on August 19th. The mutiny was promptly quelled, Little was said in press reports concerning the methods used to restore order. The outbreak is generally supposed to have been inspired by the mutiny of the "Doomed Battalion" interned in the Settlement, which occurred on August 11th (See our Report Number 9679 Page 20.)

(2) Terroristic Activities.

One of five members of the "Huang Tao Hui" (Imperial Way Society) recently arrested in Shanghai for terroristic activities was condemned to death on September 3rd and four others got sentences ranging from three to ten years. The charges were murder and bomb throwing. This drastic action against this notorious organization, generally understood to be backed by the Special Service Section of the Japanese Army, is believed will go a long way toward curbing Japanese-inspired acts of terrorism in the Settlement.

Zang Yu-ching, until recently head of the Huang Tao Hui, has fled to Nanking where he has, according to reports, assumed the post of Minister of the Interior in the Reformed Government. A warrant is out for his arrest in the International Settlement.

On September 11th a foreigner playing golf on the Hungjao links found the severed head of a Chinese. The head is believed to be that of a member of the Japanese-hired police office which is supposed to maintain order in Hungjao. Now the Japanese sentries have been withdrawn therefrom. Guerrillas operating near Hungjao are supposed to have killed the man and cut off his head as a warning

to Chinese not to enter the employ of the Japanese Army.

(3) Plans for the Building of a Greater Shanghai.

According to reports from Shanghai of September 11th, the Reformed Government is promoting an ambitious scheme to develop and rebuild Greater Shanghai, in other words the part of the city not included in the Settlement and the French Concession. A Sino-Japanese company is said to have been formed with a capital of Yen 20,000,000, one half to be put up by the Reformed Government under the usual "cash and kind" arrangement, and one half to be subscribed by the public. The company is to finance and promote the rebuilding of the city, construct harbor works, and assist in the development of other projects in Greater Shanghai, Woosung, and Kiangwan.

The scheme looks well on paper, but its realization may not be expected in the near future.

6. Economic.

(1) Dissolving of the China Development Company.

According to local reports, the China Development Company (Hsing Chung Kung Ssu) will be dissolved at the end of October and its responsibilities taken over by the North China Development Company.

(2) K.M.A. to Increase Output.

According to Domei, the K.M.A. will step up its output from 5,000,000 tons to 6,500,000 tons per year in order to meet increased demands from Japan for coal. Japan now imports 1,700,000 tons per year of K.M.A. coal and it is desired to increase this amount to 3,200,000 tons.

Unless the company falls into Japanese hands, the future thus appears bright for the K.M.A.

(3) President of the S.M.R. Visits North China.

Mr. Yusuke Matsuoka, President of the South Manchuria Railway Company, arrived in Peking on September 5th, according to press reports on business in connection with the reorganization of railways in North China.

(4) Chinese Currency Strengthens.

In spite of reports that China's financial affairs are in bad shape, the position of the Chinese currency has strengthened considerably in the past week, the banks' buying rates having dropped from around 5.75 to about 5.35 in that period. The reason for this unexpected firmness of the Chinese currency is believed to be not so much that anything has happened to strengthen China's finances but that the war scare in Europe has weakened the dollar and the pound sterling.

7. Local.

(1) General Living Conditions.

Slight drops in the price of flour and small grains have recently occurred in Peking which has somewhat alleviated the distress caused among the poorer classes by the steady rise in the cost of necessities of life since the outbreak of hostilities. Coal is still very high and the supply extremely uncertain, so that the problem of winter fuel for individuals and business firms in Peking is causing considerable worry. Large amounts of Tatung coal, the best obtainable, are available at fairly reasonable prices outside the Tung Pien Men, one of the east gates of the city, but for some unknown reason the Japanese refuse to permit this gate to be opened. As a result, coal has to be brought into the city through the Chao Yang Men, farther to the north, which adds a cost of over three dollars per ton in truck costs. This is one of the things which endears the Japanese military to the general public both Chinese and foreign.

There has no doubt been profiteering among food and coal dealers, and there is considerable talk in the papers about measures to control this. If the authorities succeed in devising means to control profiteering, they may well be copied elsewhere, for about the only laws which ever seem to have any effect in this connection are those of supply and demand.

(2) Closing of Newspapers and News Agencies.

Eight newspapers and ten news agencies have recently been closed down in Peking by order of the Provisional Government, according to local reports. Only five newspapers now remain in circulation and two news agencies are still running. Control of the local press by the Japanese, as is to be expected, is complete, and consequently well educated Chinese are completely indifferent to the news appearing in the vernacular papers.

(3) East Asia Cultural and Educational Association.

Much has appeared in the Japanese-controlled public prints of late concerning the East Asia Cultural and Educational Association, which was inaugurated on August 27th. Nominally a body of Chinese and Japanese scholars organized for the promotion of purely cultural enterprises, the association is known to be an agency of the Japanese military for the dissemination of propaganda and Chinese who do not support the Japanese regime in North China will have as little to do with it as possible.

For and in the absence of the Military Attache:

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COMMENTS ON CURRENT EVENTS

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5. Reactions in the Far East to the European Crisis
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1. The Governments of China.

(1) The N ational Government.

(a) China Again Appeals to the League of Nations. On September 17, 1938, Dr. Wellington Koo, Chinese Ambassador to France and delegate to the League of Nations, requested the Council of the League to take the following steps against Japan:

Immediately apply Article 17 of the League Covenant.

Place an embargo on shipments of war and raw materials and the granting of financial credits to Japan.

Send a commission of inquiry to China to deter Japan from the use of poison gas and from indiscriminate bombing.

On September 20th the League of Nations decided to apply Article 17 of the Covenant, which provides that in the event of a dispute between a member of the League (China) and a non-member (Japan) the latter should be invited to accept the obligations falling on members of the League for the purposes of such a dispute and upon such terms as the Council might deem just. Refusal to accept the invitation, under the terms of the Covenant, calls for the application of sanctions by League members.

On September 21st Japan informed the League that the invitation to submit the question of her dispute with China to settlement by the League was refused, on the grounds that she did not consider the machinery of the League adequate to handle the problem. On September 28th the League Council agreed that Article 16 of the Covenant, involving the application of sanctions, applied to Japan, but left it to member states to take such action as they

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saw fit, recognizing that in the present state of world affairs, international cooperation in the application of sanctions was impossible.

Thus China is left in exactly the same position as she was before her appeal to the League, and another demonstration has been given, if one were needed, that the decisions of the League mean nothing unless strong member nations are willing to go to war to back them up.

(b) More Foreign Envoys Arrive in Chungking. Baron Jules Guillaume, the Belgian Ambassador; Baron G. W. de Vos Van Steenwijk, the Netherlands Minister; Mr. Renato de Lacerdo Lago, the Brazilian Minister; and Dr. Joao Maria da Silva de Labre Lima, the Portugese Minister, arrived in Chungking by plane from Yunnanfu on October 8th. Previous to that date Mr. Nelson Trusler Johnson, the American Ambassador, had been the only foreign envoy of high rank in Chungking. The United Press hails the arrival of other heads of diplomatic missions in the present capital of China as marking the beginning of a new phase in China's diplomatic relations.

(c) Dr. Hu Shih Appointed Ambassador to the United States. It was announced in Hankow on September 18, 1938, that Dr. Hu Shih, the well known Chinese educator and philosopher, and former dean of the School of Literature in Peking Universtity (Peita), had been appointed Ambassador to the United States to succeed Dr. C. T. Wang.

(2) The Provisional Government of China.

On September 22nd, the United Council of the Republic of China, generally hailed as a body which will form the nucleus of a new J apanese dominated administration uniting the Provisional and Reformed Governments of China, was inaugurated i n Peking. A Digest Report on this Council accompanies these Comments.

It was announced in Peking on September 20th that the Ministries of Relief and Rehabilitation and the Ministry of Administration of the Provisional Government would be abolished and new Ministries of Finance and Interior would be established. A Digest Report on these changes is submitted with this report.

Reuter's Local Service announced on October 10th that the Federal Reserve Bank was printing $90,000,000 worth of new notes. Part of these notes are being printed in Japan, part in the Bureau of Printing and Engraving of the Provisional Government. According to local press reports, the Federal Reserve Bank will shortly issue several million dollars worth of subsidiary notes in five cent, cent, and half-cent denominations.

According to the Peking "Hsin Min Pao", rated a more or less official mouthpiece of the Japanese military

authorities, the Provisional Government has granted $200,000 to Shansi Province for relief purposes. If a recent statement by the Governor of Shansi, who has been in Peking for some time seeking these relief funds, to the effect that nine out of every ten houses in the province are empty is true, the sum granted by the Provisional Government will not go far.

(3) The Reformed Government of China.

It was announced on September 15th that Mr. Chen Lu, Minister of Foreign Affairs of the Reformed Government, had come to Peking in the capacity of a resident representative to the Provisional Government.

According to a Domei report from Nanking of September 27th, the removal of offices of the Reformed Government from Shanghai to Nanking has been practically completed. In this connection it is interesting to note that in spite of the fact that the Reformed Government is supposed to be the ruling authority, under the Japanese, in Central China, the Ta Tao Government, pet of the Special Service Section of the Japanese Army in Shanghai, continues to function in Chapei, Nantao, and Pootung. Just what is the rela tion between the Reformed Government and the Ta Tao Government other than that both are completely dominated by the Japanese Army is difficult to say.

(4) The Government of Inner Mongolia.

A report from Houho (Kweisui) of October 5th from Japanese sources states that the Federation of Autonomous Governments of Mongolia has established a commission for the purpose of inquiring into the land problems which have long been a source of trouble between Mongols and Chinese. According to the report the commission will include Mongol, Chinese, and J apanese members, and will be headed by General Li Shou-hsin, vice-chairman of the Inner Mongolian Autonomous Government, assisted by Mr. Uyama, adviser to this government.

The land problem, or in other words the desire of the Chinese to get the Mongols' grazing lands away from them for agricultural purposes, has been a bone of contention between the two peoples for generations. Whether or not the commission can do much toward solving the issues involved is to be doubted, but in any event it is not likely that the Mongols will suffer more at the hands of this body than they did from the mistreatment of the Chinese Central Government during most of the time when it exercised dominion over Mongolia.

2. Manchukuo

According to a Reuter despatch from Berlin of September 18th, Dr. Wagner, the German Consul-General at Osaka, Japan, will shortly be named as German Minister to

Manchukuo. Mr. Lu I-wen, the first Manchukuo minister to Germany, accompanied by a staff of thirteen, sailed from Kobe on October 2nd for Berlin.

The Manchukuo Friendship Mission to Italy and Germany after concluding its visit to the former country, arrived in Berlin on September 24th. The party was scheduled to leave Berlin on October 6th for Warsaw for a week's visit in Poland.

Headquarters of the Kuantung Army in Hsinking announced on October 5th that from July to September, inclusive, 321 engagements were fought in Manchukuo with bandits totalling 16,653 in number. The report further states that 1,044 of the bandits were killed and that 503 surrendered. Judging from the length of time it is taking to pacify Manchukuo, it will be some years before China can be cleared of elements hostile to the Japanese Army.

A violation of the Manchukuo border was reported in Harbin on October 5th in which it was alleged that on September 27th Soviet soldiers on the upper reaches of the Amur River crossed into Manchukuo territory and kidnapped thirteen Manchukuo fishermen. The Manchukuo Government protested to Moscow over this incident on October 4th. Nothing further has been heard of the affair. Violations of the Manchukuo border by Soviet patrols were also reported on September 18th at an unnamed point on the western border of Manchukuo, and on September 22nd on the eastern border near Suifenho. Aside from the usual protests from the Manchukuo government the incidents appear to have passed off without results.

A Domei report from Hsinking of October 3rd states that the Mongol princes in Manchukuo will shortly give over to the State all their special privileges, such as rights over land, and other feudal prerogatives. This report is of interest in connection with the one noted above concerning the forming of a commission to investigate land problems in Inner Mongolia, and suggests the thought that Japan may be seeking to tighten her control over the Mongol hereditary rulers.

3. Shanghai.

(1) Murder of Mr. Tang Shao-yi.

Mr. Tang Shao-yi, veteran Kuomintang leader and the first Prime Minister of the Chinese republic, was fatally wounded in the home of his son-in-law in the French Concession, Shanghai, on September 30th by two unidentified Chinese who attacked him with a hatchet. Mr. Tang suffered wounds in the head and died several hours after the attack. He had been living in retirement in Shanghai for some years, but had recently come into prominence in connection with reports that he was slated to become the head of an amalgamated Peking and Nanking Government.

According to some reports, Mr. Tang had been pressed several times by the Japanese to accept this post but had always steadfastly refused to consider it. Other reports, however, state that he had been wavering in his determination not to accept office under the Japanese, and it was for this reason that anti-Japanese elements in Shanghai wished to do away with him. The exact truth of the matter of Mr. T'ang's relations, if any, with the Japanese will probably never be known, but this office is inclined to the belief, in view of his advanced age and past record, that he would not have allowed himself to be placed at head of a Japanese-dominated puppet regime in China, and that if he was murdered because he was suspected of being about to turn traitor to China, the perpetrators of the deed were acting under a misapprehension. Mr. Tang's biography may be found in condensed form in the 1936 edition of "Who's Who in China."

(2) <u>French Strengthen Defenses of Their Concession in Shanghai</u>.

The authorities of the French Concession in Shanghai have recently erected concrete pill boxes at the strategic corner of Avenue Edward VII and the Bund boundary of the French Concession, facing the International Settlement. Similar pill boxes have also been erected in Siccawei and Hungjao Roads outside the borders of the French Concession proper. On October 3rd the Foreign Minister of the Reformed Government lodged a protest with the French Ambassador concerning the erection of defenses in the latter area, alleging that this constituted a violation of Chinese sovereignty. Dismantling of the works and withdrawal of the forces manning them to within the limits of the French Concession is reported to have been demanded. This marks the first occasion on which the Reformed Government has addressed itself directly to a foreign power.

(3) <u>Officers of the Doomed Battalion Returned to Shanghai Camp</u>

Chinese officers of the "Doomed Battalion" who had been quartered at the headquarters of the Russian Regiment of the Shanghai Volunteer Corps on the Bund since the mutiny in the camp on August 11th (see our Report No. 9679, page 20) when Russian volunteers and members of the battalion clashed and three Chinese were killed, were returned to the concentration camp on October 6th, following a protest by the Chinese ratepayers of the Shanghai Municipal Council. The Council authorities expressed regret for the deaths of the members of the battalion and granted Yuan 1,000 to the family of each of those killed. According to the statement of the Council, the officers were returned to the camp in order to assist in the maintenance of discipline therein.

(3) Terrorism

Acts of terrorism continue in Shanghai. Two hand grenades were thrown at the foot of Szechwan Road Bridge on September 16th, wounding one foreigner and six Chinese. The bombing was believed to have been an act of anti-Japanese terrorism. Four murders, all of Chinese, occurred between September 30th and October 2nd, one of which was the killing of Mr. Tang Shao-yi. The others slain were Chinese of no prominence, and the killings are believed to have been prompted by personal rather than political motives.

(4) Plague.

With the advent of cooler weather, the cholera epidemic in Shanghai is reported to be definitely on the wane, but a new terror was announced on September 20th when it was stated that with the influx of thousands of refugees from leprosy-infested areas in Kiangsu, the danger of the spread of this dread disease was on the increase.

4. Japan's Foreign Policy.

(1) Resignation of General Ugaki Not to Change Japan's Foreign Policy.

Upon his assuming the post of Foreign Minister on October 3rd, after the resignation of General Ugaki, Premier Konoye stated that no change was contemplated in Japan's foreign policy. According to the Tokyo "Hochi," as quoted by Reuter, however, the resignation of the General will mark the beginning of a new stage in Japan's foreign relations in which a pro-British attitude will be renounced and definite efforts will be made to strengthen the Tokyo-Berlin-Rome axis. It is perhaps too early to judge, but thus far no indication has been noted by this office of any change in the foreign policy of Japan.

(2) Japanese Army Asks Foreigners in Battle Zones to Register.

On October first the Headquarters of the Japanese Army in North China forwarded to all foreign Embassies and Legations in Peking a request that nationals of all powers make special efforts in the areas along the Peking-Hankow Railway south to the Yellow River and in the districts west of Chengchow to mark their property and to communicate the positions thereof, in cases where this has already been done. The purpose of the request was stated to be to assist the Japanese in affording protection to the property of foreign nationals.

The request appears to have been more or less of a useless gesture as it is probable that there is very little foreign property in China today which has not already been marked and its location reported to the proper authorities. The frequency with which such property has been bombed indicates that while the high command may desire to afford

some measure of protection, the lower ranks seem to be little concerned about it, and in many cases it appears that damage has been done with deliberate intent. The Assistant Military Attache when in Kaifeng some weeks ago noted a British mission resident with a Union Jack painted on the roof which must have been plainly visible from an altitude of several thousand feet. A bomb had hit the flag squarely in the center, a piece of either very good or very bad aerial marksmanship.

(3) J apan Not to Declare War on China.

Domei, Tokyo, claimed to have learned on good authority on October first that there is no likelihood of Japan making a formal declaration of war against China, but that official circles had asserted that any powers applying sanctions against Japan under Article 16 of the Covenant of the League of Nations, would thereby automatically treat the China incident as a formal state of war and in so doing would not be able to claim Japan's protection of their rights and interests in China.

The amount of talk which appeared in the Japanese press at the time the League of Nations was considering the appeal of the Chinese Government for definite action to curb Japanese aggression in China to the effect that no power would dare to apply sanctions against Japan seemed to indicate that actually considerable anxiety was felt lest such action should be taken. Foreign observers generally expressed the opinion that Japan was particularly concerned lest the application of sanctions might cause the United States to put the Neutrality Act in effect and cease selling her war material.

5. Reaction in the Far East to the European Crisis

During the recent European crisis, the Japanese Government announced that it would support Germany and Italy if necessary to the point of going to war. In foreign circles, however, the opinion was generally expressed that such talk was largely for effect and that in the event of a European war it was unlikely that Japan would offer her allies in the Anti-Comintern Pact any more support than a stiffening of her attitude toward foreign powers in China with a possible occupation of British and French controlled areas in this country. It was pointed out, and Japan probably clearly realized, that while she could do much harm to Great Britain and France in the initial stages of a war which she might declare on these nations, the ultimate effect on Japan might easily be disastrous, particularly in view of the vulnerability of her shipping throughout the world to attack by the British Navy. The opinion was also expressed that Japan could not afford to antagonize the United States by declaring war on France and England for in spite of the fact that there appeared no possibility of the United States entering a European war for some time at least, there would always be the danger of a strict application of the provisions of the Neutrality Act.

There was no doubt, however, that if war had broken out in Europe the effect would have been definitely to the advantage of Japan as far as her present war with China is concerned, as France and England would have been in no position to continue efforts to restrain Japan's actions in this country. For this reason China watched the developments in Europe with a very anxious eye, as she stood to gain nothing and lose much if war broke out. Consequently general relief was reported in Hankow when the crisis in Europe appeared to have passed for the time being. It was also evident from the tone of the Japanese press that Tokyo was very glad to see war averted, for in spite of the advantage such a war would have given her in the way of a free hand in China, it might have also placed her in the position of having to take action in the support of her European allies which would have involved tremendous risks.

5. Relations of Japan and China with Other Powers.

(1) Great Britain.

(a) Indian Medical Unit Arrives in China. A medical unit consisting of a number of Indian doctors and nurses arrived in Hankow by truck on October 1st from Hongkong. According to the press the unit intended to proceed shortly to the front as a part of the Chinese Red Cross. The head of the mission, which was sent to China by the Indian Congress, is quoted by Reuter to have declared that the unit intended to remain in China until the end of the war.

(b) Ban on "The Peking and Tientsin Times." In spite of official British protests, the ban on sending "The Peking and Tientsin Times" through the mails continues in effect. The daily is delivered i n Peking with more or less regularity by messenger.

(c) Ceding of Chinese Territory to Great Britain. According to a report in circulation in Tokyo on September 21st, China has recently ceded to Great Britain portions of the territory west of the Mekong River, long a disputed area between Great Britain and China. The spokesman of the Foreign Office on September 22nd admitted that no official information to this effect had been received in Tokyo, and the report has all the earmarks of a story about something which might have happened but did not.

(d) British Women Attacked in Chungking. According to press reports a British woman was the victim of an unprovoked attack by a Chinese in Chungking on September 28th. The woman is said to have been slapped in the face by a Chinese of the student class as she was riding in a sedan-chair on one of the main streets of the city.

It seems strange that at this particular time any Chinese possessed of his senses would wantonly commit an act which might affect adversely the relations of China and Great Britain.

(2) France.

A Tokyo report of October 9th stated that the Japanese Foreign Office had protested to France against the alleged transportation of two hundred Chinese soldiers to Yunnanfu over the Yunnanfu-Haiphong Railway. The soldiers are said to have been members of the Chinese air force in uniform. It is difficult to see on what grounds Japan could protest about this matter, unless the troops were transported as a military unit, as it appears that a railway generally has a right to permit anyone to ride who has the money to buy a ticket.

Considerable note has been made in the press since October 8th of a reported intention on the part of the government of French Indo-China to place an embargo on the export of iron ore and manganese. This action is said to have been approved by the French Government on September 24th and is shortly to be put into effect. The Japanese Foreign Office has protested to the French Government over this matter on the grounds that it seriously affects the operations of Japanese mining interests in Indo-China. The protest further states that the prospective measure is aimed at bringing pressure upon Japan, a statement to which this office is inclined to subscribe.

(3) Soviet Russia.

Reports have been in circulation from both Moscow and London since October 3rd that Marshal Bluecher has been removed from command of the Soviet Far Eastern Army, for mistakes alleged to have been made during the Changkufeng affair, according to one report. Forty-three other generals of the Far Eastern Army, and all of Bluecher's staff are also reported to be in hot water. The Tokyo "Asahi" claimed on October 6th that Bluecher had committed suicide.

6. Economic.

(1) China and Japan to Confer on Trade Issues.

A Tokyo report of October 7th states that leading officials and business men of Manchukuo and North China are to be invited shortly, under the auspices of the Japan Economic League, the Tokyo Chamber of Commerce and Industry, the Sino-Japanese Business Men's Association, and the Manchukuo Business Men's Association, to hold a series of informal talks with prominent business leaders in Japan with a view to discussing ways and means to strengthen the Japan-China-Manchukuo economic ties. These informal conversations, according to the report, are to take place in several important commercial centers in Japan so that each center may be given the opportunity to discuss its own special problems in connection with the economic relationships with China and Manchukuo.

(2) The China Development Companies.

It was announced in Tokyo on October 1st that Mr.

Kenji Kodama, former Governor of the Yokohama Specie Bank, has been appointed President of the Central China Development C ompany. This office is under the impression that he has been president of the concern for some months, as a report to that effect has already emanated from Tokyo. This latest item seems to indicate that the Central China Company is still in a somewhat nebulous state of existence. As for the North China Development Company, in spite of much press talk about this organization and the many subsidiary organs, involving millions of yen in capital, which are to be formed under its aegis, nothing definite has been observed to indicate its concrete existence. The China Development Company (Hsing Chung Kung Ssu) which, it has been reported, will go out of existence when the North China Development Company gets under way, appears to be carrying on as usual. Its offices are located in the old Russo-Asiatic Bank building hard by this office and no recent signs have been observed or reported of its dissolution.

7. Communications.

(1) Through Train Service between Peking and Fusan.

Through express service between North China, Manchukuo, Korea was inaugurated on October 1st when the first train left the Chienmen station for Fusan. The idea of this through service is a laudable one, but it would appear to be of more benefit to the travelling public if the military and railroad authorities would pay less attention to the already adequate service on the Peking-Mukden line and try to establish something approaching satisfactory conditions on other lines running out of Peking and Tientsin. Passable service between Tientsin and Tsinan is reported in effect, but travel on the Kin-Sui and Kin-Han lines is said to be a most trying experience.

(2) Highway to Tangku.

The Provisional Government is reported to have undertaken the construction of a macadamized road between Peking and Tangku, the project to require four years for completion and the expenditure of twenty million dollars. Work has already begun on the Peking-Tungchow section, and, while no hard surfacing has been completed, the road thus far has been considerably improved. Between Tungchow and Tientsin, however, the road in many places has been almost destroyed by the heavy military traffic of the past year and more. Because of its importance as a military highway, it is believed probable that the Peking-Tangku highway will eventually be completed.

(3) Direct Air Service Peking-Tokyo.

With the opening of the new Peking airport, direct service to Japan was announced as inaugurated on October 5th. The planes are reported to be Douglases which will carry 11 to 14 passengers. The trip requires about ten hours, according

to the public prints. Inquiry today at the office of the Huitung Company, operating the planes, reveals that tickets are being sold for this service at one hundred and fifty dollars one way, but prospective travellers are advised to make arrangements in advance, a probable indication that the planes are largely reserved for military passengers.

8. Local.

(1) Tension in Tientsin.

Considerable tension prevailed in the French and British Concessions in Tientsin on September 22nd and 23rd following an incident involving Japanese soldiers and French police at the International Bridge. The clash occurred when a Chinese traffic policeman of the French Municipality attempted to halt a car, driven by a Japanese soldier, which had violated traffic regulations. The soldier chauffeur attacked the policeman and a French police officer came to his rescue. When threatened by the Japanese soldier with a pistol, the Frenchman kicked the Japanese in the mouth. In the melee which resulted the French officer and several policemen were considerably beaten up.

The Japanese alleged that their Army and nation had been grossly insulted as the result of the action of the French police officer, in spite of the fact that it appeared he had acted in self defense. A lengthy argument between the French Consul-General and the Japanese authorities failed to reach a satisfactory settlement and the matter was later referred to the French and Japanese Embassies in Peking. Nothing further has been heard of it.

Next day after the clash on the International Bridge, a mass meeting, attended according to Japanese reports by thousands and according to foreign reports by hundreds, was held in the Japanese Concession to protest against the alleged insult to the Japanese Army and nation. Following this mass meeting the French and British authorities partially closed the steel gates between their concessions and Chinese and Japanese territory. A rumor was in circulation on the night of September 23rd that the Japanese had occupied the International Bridge and a partial mobilization of the British Tientsin Volunteer Emergency Corps was effected. The report proved untrue, although a Japanese patrol actually did approach the bridge on the night in question.

By September 24th the tension had definitely eased. Since the incident the authorities of the French and British Concessions have adopted a very conciliatory attitude toward the Japanese, evidently desiring to avoid antagonizing them. Evidences of this desire are restrictions recently put into effect in both concessions against the holding of unauthorized public meetings and the operation of radio transmission sets.

The impression prevails in foreign circles that sooner or later the Japanese in Tientsin will take action to secure some measure of control over the French and British Concessions. Just what this action will be is difficult to foretell, but general opinion is that it will not involve actual occupation of the concessions but is much more likely to take the form of a blockade or isolation of the areas. The Japanese are now constructing a road completely around the concessions, which suggests some impending action.

An indication of what may happen was seen on October 7th when Japanese gendarmes and Chinese police took post just outside the British Concession, between that area and the Race Course, and turned back all Chinese and Japanese who appeared to be on the way to the races. No attempt was made to interfere with foreigners. As a result of this action, the Tientsin Race Club lost considerable money, for the Chinese and Japanese are the keenest gamblers at the races.

(2) Guessing Contest on the Fall of Hankow.

The local "Hsin Min Pao" announced a contest on September 19th, only to Chinese, in which prizes of $500, $200, and $50 were offered to the persons who could forecast most closely the date and hour of the fall of Hankow, the decision to be based on the time of the entry of the Japanese troops into the former Japanese Concession.

For and in the absence of the Military Attache:

David D. Barrett
Major, Infantry
Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

October 13 - November 10, 1938

RECEIVED G/2 W. D. DEC 8 1938

1. Governments of China
2. The Realities of the Situation in the Far East
3. France
4. Soviet Russia
5. Mongolia
6. Economic
7. Communications
8. Shanghai
9. Local

1. The Governments of China.

(1) The National Government:

(a) The People's Political Council. The second meeting of the National People's Political Council took place in Chungking on October 28th, with 94 delegates present, and closed on November 8th. Reports concerning the proceedings of the council have been fragmentary, but according to a Chungking foreign press report, the most important was the passing of a resolution, with only one dissenting vote, to support the government in a program of continued resistance to Japan. Domei, as was to be expected, reported that the sessions of the Council were stormy and that sentiment in favor of continuing the war was by no means as strong as Chinese inspired press reports would indicate. It seems unlikely, however, that a body with as limited powers as the Council would be likely to register an expression of opinion seriously at variance with the policy of Chiang Kai-shek to carry on the struggle to the bitter end.

(b) Will to Resist. As far as can be determined from reports from Chungking, there is no disposition on the part of the National Government to yield under the staggering blows of the loss of Canton and Hankow. There seems to be no attempt to conceal the fact that government circles were profoundly shocked by these losses, particularly that of Canton which came as an unexpected calamity. On the surface at least, however, no evidence has appeared that Chiang Kai-shek is losing control, and he has declared himself determined to carry on the war. It is a foregone conclusion that there are persons high in the government in favor of peace among whom is mentioned Wang Chung-hui, Minister of Foreign Affairs, but, according to Captain Mattice, who is now in Chungking, it is more probable that the war-weary will be eliminated from power rather than that their councils will prevail.

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(2) A New Government for China.

Much in the Japanese press and in current rumors has supported a belief that a new government for China would be formed shortly after the fall of Hankow. Domei and other Japanese news sources even went so far as to state just what form this new government would take and upon what principles it would be founded. When a meeting of the United Council of the Republic of China was convened in Nanking on November 1st it seemed even more likely that the new government was about to be formed. General Doihara, head of political activities for the Japanese Army in China, was reported to be in Peking with the approved plans for the detailed structure of the new government.

Contrary to general expectations, however, the new government has not yet appeared and definite indications are lacking as to just when it will appear. The United Council meeting adjourned without any more visible accomplishments than pronouncements castigating the Kuomintang and praising the Japanese Army, and a decision to call anti-Communist and National Salvation meetings throughout North and Central China. Latest reports from those high in the Council state that a third meeting of the body will convene in Peking in the middle of December, the agenda for which session will be decided at a meeting of the Standing Committee of the Council toward the end of this month, and that it is possible as a result of this meeting the new government will be established. Actually, it seems likely that the local Japanese Military Spokesman was telling the truth when he informed the undersigned a day or so ago that no man could tell when the new government would be formed but that he did not expect it to come into being at once. When asked what he meant by "at once" he said within a month or two.

The Japanese press and the wishy-washy Japanese-controlled local Chinese press appear to have instructions to give prominence to the subject of the new government without saying anything definite. From the vast amount of matter published on the topic the most that can be gained is an impression that the new government will be in the form of a federation of states, comprising the Provisional Government, the Reformed Government, and possibly other governments to be set up at a later date in Hankow and Canton. It appears definite that no decision has been reached as to whether the Outer Mongolian Autonomous Government is to be admitted to this fold or not.

2. The Realities of the Situation in the Far East.

Detailed discussion of Japanese policy toward individual powers as affected by the situation in China appears useless at the present time, but it is considered important to note what appears to be a decided change in the general Japanese policy in this respect. Every indication points to a definite stiffening of the Japanese attitude toward the foreign powers which do not subscribe

wholeheartedly to her methods of securing peace in the East. To cite an example, recent requests to foreign powers to remove their nationals from zones of hostilities and to use every available means to avoid clashed with the Japanese Army have been couched in firmer language than has been used in similar cases in the past.

The prevailing note in Japanese declarations on foreign policy is the necessity for foreign powers "to realize the realities of the situation in the Far East." In other words, to admit the dominant position of Japan in Asia and act accordingly. Such pronouncements are not lacking in more or less vague threats of what will happen to the powers who do not see the light in this respect.

In the light of this stiffening of foreign policy, recapitulation of incidents involving apparent violation of the rights of foreigners in China are considered unnecessary, as such incidents have become so common as to excite little interest. When the British gunboat "Sandpiper" was bombed at Changsha on October 24th, for example, and according to the Assistant American Naval Attache who was an eye witness, the bombing was perfectly deliberate, the Japanese simply denied that any such bombing took place and that was the end of it. When an American child is killed in what appeared to be the deliberate bombing of a mission property, as was the case in Tungpeh, Honan, on October 24th, in spite of the fact that the Japanese authorities had been furnished with a map plainly showing the location of the mission, little comment is excited because it is evident that there appears to be little that the United States Government can do in such a case except to protest, and the Japanese know this. There are, of course, measures which a government might take to curb Japanese outrages against the lives and property of its nationals short of going to war, but thus far there seems to be no disposition on the part of Great Britain and the United States to apply such measures.

The recent note from the United States Government pressing for more scrupulous observance of American rights in China than Japan has accorded in the past has not yet been answered. It is not difficult, however, in view of items on the subject in the Japanese press to predict that the answer in effect will state that the Japanese Government has every intention of respecting American rights in China and keeping the Open Door ajar, - as far as the exigencies of the military situation will permit.

Inasmuch as Japan's action in C hina seem decidedly out of harmony with her position as a signatory of the Nine Power Treaty which guarantees the territorial integrity of China, it is evident that the realities of the situation now demand either that the treaty be modified or that Japan renounce it. It appears that it will make little difference which of these alterations is carried out.

To judge from the press, great hopes are now entertained in Japan that Great Britain is beginning to see the light in China, and certain dications, such as the reports that she is trying to mediate in the present conflict, seem to point that way. Some well-informed observers also feel that it is probable that Great Britain had a definite understanding with Japan concerning the conduct of operations in the South China invasion. The care with which Japan avoided, as far as possible, clashes with British interests in Kwangtung may be an indication to this effect.

As for the United States, press reports also express the hope that she will soon abandon her short-sighted attitude concerning the actual situation in the Far East. References to an "Asiatic Monroe Doctrine" have appeared recently in the press, the connotation being that what the United States can demand concerning South America, Japan can demand concerning Asia.

3. France.

The Japanese press continues to fulminate against France for aiding China by allowing munitions to be shipped through Indo-China. A formal protest against this action was presented by the Japanese Government to France on October 28th. Much has also appeared in the Japanese press of late concerning alleged mistreatment of Japanese newspaper men in Indo-China. While it is not believed that Japan would undertake any more serious retaliatory action against France for allowing the shipment of munitions through Indo-China than to bomb the portion of the Haiphong-Yunnan Railway in Chinese territory, this office opines that in view of the close proximity of Indo-China to territory now occupied by Japan and the vulnerable position of Hainan Island the occupation of which would seriously affect France's military position in the Far East, it is likely that France will ultimately yield to Japanese pressure in this respect.

At the time of the protest over the munition shipments, the spokesman of the Japanese Foreign Office stated that if the Japanese occupied Hainan Island it would constitute no violation of the Franco-Japanese Treaty of 1906 by which the contracting powers agree to respect the territorial integrity of China and to support each other in securing peace therein. While France would doubtless disagree with the view that a seizure of Hainan by Japan would not violate this treaty, still it is to be doubted if France desires to provoke Japan any further than she can avoid, especially if it can be avoided at the expense of China.

M. Paul Emile Naggiar, the French Ambassador to China, has been appointed Ambassador to Russia, as was announced in Paris on October 23rd. M. Gaston Maugres, Minister to Hungary, will succeed M. Naggiar. M. Maugres has had previous experience in the Far East, having served for some years as Secretary in the French Embassy in Tokyo.

4. Soviet Russia.

Japanese press reports continue to insist that Marshal Bluecher has been executed and that his picture has been removed from the gallery of portraits of Soviet leaders in Moscow. No confirmation of this report has been received.

Reports from Colonel Stilwell confirm rumors in circulation early in October that when the Russian Ambassador returned to China from Moscow in October, he presented Chiang Kai-shek with five demands, of which one was that the Communist Party in China should be placed on an equal footing with the Kuomintang, another that the communists be admitted to the Military Affairs Commission, and a third that Wuhan be defended to the last. The other demands are not known. Chiang is reported to have made a non-committal reply to the demands. Shortly afterwards he suppressed several communist organizations in Hankow, as a result of which action Russia withdrew a large proportion of her aid to China. Latest reports from Captain Mattice are that indications in Chungking point to a resumption of Russian aid in return for important concessions by Chiang Kai-shek. Developments to confirm this report will be watched for with interest.

A violation of the Manchukuo border by eleven Soviet soldiers at Hsialinhsien, near Heiho, was reported by Domei on October 20th. There have been no visible consequence other than the usual protest

5. Mongolia

"In order to convey heartfelt thanks to Japan for the latter's efforts in fostering the new regimes," to quote the Domei report, twenty leaders of the Autonomous Governments of Inner Mongolia, South Chahar, and North Shansi, headed by Teh Wang of Mongolia, arrived in Japan on October 20th.

The delegation was received in audience by the Emperor and Prince Teh was decorated with the Grand Cordon of the Rising Sun of the First Grade of Merit, while Li Shou-hsin, his Number Two, received the Sacred Treasure, same grade.

A Mongolian lady whose family formerly possessed considerable estates in Manchuria recently told the undersigned that the so-called presentation of the hereditary estates of Mongol princes in Manchukuo to the Government, which was noted in our last Comments, was an out-and-out confiscation for which they received nothing in return.

6. Economic:

Contrary to all expectations, the fall of Hankow did not cause a drop in the value of the Chinese currency. On October 24th the American dollar was exchanging in Peking at around $6.04 Chinese currency, which was the highest quotation the undersigned has heard of in Peking; on November 10th it was quoted at $5.47. The Chinese dollar is much lower in Shanghai than in Peking, however, the latest quotation being around 6.21.

The reasons for the strength of the Chinese currency in North China are not clearly understood even by the bankers, but one contributing factor is an actual scarcity of paper money, there being no metal in circulation except coppers and some few subsidiary nickel coins in five and ten cent denominations. The searcity of paper money is in some measure due to efforts of the Japanese to bring about just such a condition. Wherever possible persons residing in North China are compelled to turn in Chinese national currency, and other issues still permitted to circulate, in exchange for the notes of the Federal Reserve Bank. The effect of this action is beginning to appear in a gradually increasing scarcity of bank notes, which results in a lower rate of exchange, or higher from the Japanese standpoint, than would prevail if nature were allowed to take its course. In other words, the law of supply and demand in this instance seems to be working in favor of the Japanese, whose objective is to fix the exchange as nearly as possible at the rates now maintained in Japan and Manchukuo.

According to press reports, the North China Development and Central Development Companies have been formally inaugurated. This office refuses, however, to become excited over this report until definite evidences appear of something more than a paper existence of these companies. A Japanese in the employ of the South Manchuria Railway, the North China activities of which organization are supposed eventually to come under the North China Development Company, told the undersigned recently that this company was still in a nebulous state of existence.

7. Communications.

The Peking-Jehol Railway, or the two lines which unite at Kupeikow to form rail connections with Jehol, is in operation again after having been interrupted for some months by floods and guerrilla activities. It is now possible to make the trip from Peking to Jehol in about twelve or thirteen hours in comparative comfort, or to put it otherwise, with not too much discomfort.

For some months the American Chamber of Commerce in Tientsin has operated a radio station in the British Concession for the use of the businessmen of that city. Through this station messages are transmitted cheaply and efficiently to all parts of the world to which radio communication extends under ordinary conditions. The establishment of the station resulted because of the dissatisfaction of the business of Tientsin with the service provided by the Japanese after the Chinese telegraph service was taken over by them.

According to reports, the station has made money. The Japanese in Tientsin are said to be very anxious to put it out of business, for which reason the authorities of the British Concession have taken every means available to insure that the station will be used for no other than commercial purposes.

A digest report of all available information concerning this station is in course of preparation and will be sent foward in the next pouch.

8. Shanghai.

In spite of the continued occurrence of assassinations, bombings, and other acts of terrorism with such frequency that their recapitulation is not considered worth while, conditions seem to be gradually improving in Shanghai. The most encouraging news which has emanated from that troubled spot for some months was a report on October 21st that negotiations between the Japanese and the authorities of the Shanghai Municipal Council were nearing a satisfactory settlement, and that well-informed quarters expected the differences between these two parties to be amicably settled before the end of the year. According to the report, the differences have been virtually boiled down to the following points:

(1) Japanese retention of the Hongkew and Yangtzepoo areas of the Settlement, which were seized during the warfare and never returned to the Settlement control.

(2) The continued stationing of British and American troops in defence sectors lying beyond the Settlement boundary in former Chinese territory.

(3) Japanese demands for increased representation in the Settlement police force avowedly in order to have a better chance to curb anti-Japanese elements within the Settlement; and

(4) The Settlement's desire to resume its own bus service as before the hostilities in the Hongkew and Yangtzepoo districts.

While it is doubtful if the Japanese can be expected ever to reconcile themselves completely to the situation prevailing in Shanghai in which they are prevented from controlling an area in the midst of territory which they consider theirs by right of conquest, it is believed that if the two parties can ever be brought together for a round-table discussion at which both sides could make concessions simultaneously instead of continuing the present deadlock, there might be hope of a settlement which will enable the present status of the Settlement to be continued for some time to come.

9. Local.

A rather amusing spectacle has been present for the past month or so by the efforts of the local police, who do nothing unless told by the Japanese military, to control coal prices. With the coming of winter and the lack of transportation facilities the price of coal has rocketed and the police have been trying to bring it down. Thus far

they have fought a losing struggle with the law of supply and demand, for while the price of coal has been officially fixed at a fairly reasonable figure in view of present conditions, the average purchaser is either unable to buy coal in any quantity at that price, or if he does succeed in purchasing he finds it of such poor quality that it would have been to his advantage to pay the price which the coal dealer would have demanded under ordinary circumstances.

No developments of note have occurred in the relations of the Japanese military with the authorities of the French and British Concessions in Tientsin. According to a report from a reliable source, a staff officer of General Terauchi's headquarters in Peking recently interviewed the British Brigade Major in Tientsin, and virtually demanded that the Japanese be given a share of control in the administration of the British Concession. The report states that no concessions of any kind were made by the British as a result of this meeting, and as far as can be discerned, this was correct.

Mr. Y. Nakagawa, for years Military Secretary to the Japanese Headquarters in North China, who probably did more in his time to promote good feeling between Japanese and foreigners than any other one man ever connected with the Japanese Army, has recently been in Tientsin. He retired from active service last May and went to live in peace and quiet in Japan, hence his return to China was unexpected. He informed the undersigned recently that his visit was connected with efforts to improve relations between Japanese and foreigners in Tientsin, but that he was not there at the behest of the Japanese Army.

He further stated that while he was not at liberty to say for whom he was working, it had been decided to offer his services to the British and French Concessions in Tientsin in the capacity of an adviser, to serve for one year with the option of retention for a longer period if desired. Mr. Nakagawa said that he would return to Japan and await the result of negotiations concerning his employment in the capacity noted above. He has since returned and his future movements will be watched with interest by this office.

While this office is inclined to believe Mr. Nakagawa's statement that he did not visit Tientsin at the instance of the Army, it seems probable that the Army must have been behind the matter in some way or have given its tacit consent to the visit, for he is drawing a pension as a retired Military Secretary with the rank of Colonel, and as such is of course subject to Army control.

In the opinion of this office Mr. Nakagawa can do much to smooth out present difficulties between Japanese and foreigners in Tientsin, provided he is given an opportunity to work unhampered. In any event it is hoped that his presence in Tientsin was an indication that the Japanese still look to

compromise rather than force as a means of settling the questions outstanding between them and the concessions in Tientsin.

For and in the absence of the Military Attache:

David D. Barrett
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Major, Infantry
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COMMENTS ON CURRENT EVENTS

November 11th - December 14th, 1938

RECEIVED G/2 W. D. JAN 11 1939

1. Formation of New Government
2. Relief of General Terauchi
3. Status of the Tientsin Concessions
4. Stiffening of Japanese Policy toward Foreigners in China
5. Soviet Russia
6. The National Government
7. Economic
8. Opening of the Yangtze to Commercial Shipping
9. Manchukuo
10. Mongolia
11. Germany
12. France

1. Formation of New Government.

Contrary to expectations, the long-waited new Japanese-dominated regime for China has not yet appeared and no one seems to know just what is holding it up. It was stated in the Japanese-controlled Chinese press about the first of December that Lieut.General Kenji Doihara, now in charge of political activities of the Japanese Army in China, had arrived in Peking from Tokyo with the approved plans for the new government in his pocket and that the birth of the new regime was imminent. As reports had been in circulation for some time that General Count Terauchi, Commanding Japanese Troops in North China, had been unable to see eye to eye with General Doihara concerning the form of the new regime, it was generally supposed that the former's relief about this time was intended to give Doihara a free hand, and it was also supposed that General Sugiyama, who replaced General Terauchi, was generally in sympathy with Doihara, else he would not been detailed to command in Peking.

It has long been claimed by those supposedly in the know that Major General Seiichi Kita, who for some time has been head of the Special Service Bureau of the Japanese Army in North China, and the man who is generally credited with having had the most to do with the formation of the present Provisional Government of the Republic of China, does not get along well with Doihara. Accordingly when Doihara was reported about to bring forth a new government, it was supposed that Kita's star was on the wane, as it is evident that Doihara's and Kita's jobs overlap to a considerable extent. Hence reports were commonly circulated that Kita had left for Japan and would probably not return as head of the Special Service Bureau. Reliable quarters, however, have stated in the past few days that Kita is in Peking, carrying on his

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normal duties, while Doihara is somewhere in South or Central China working on the plans for the new regime.

At the time General Doihara was reported about to bring a new regime into being, it was generally believed that the new government would be headed by the ex-war lord, Marshal Wu Pei-fu, and several sources which have proved reliable in the past stated that Wu had definitely accepted a large sum of money, possibly one or two million dollars, from the Japanese. This money, according to these sources, had not been given as a bribe, but as "establishment expenses" (she pei fei) for the formation of a new Chinese military force in North China. It was stated in some quarters that Wu had long refused the money even in this form, but was eventually persuaded to do so by his wife. Inasmuch as Wu has not emerged from his retirement, reports are now in circulation that the Japanese have decided that he is too old and too generally useless for their purposes and that General Chin Yun-peng, a former Premier, will head the new regime. Although opinion seems to be steadily growing that Wu will never "come out," this office still clings to the belief that he will eventually do so if the Japanese want him, as the reports that either Wu or his subordinates have accepted Japanese money have sounded very convincing.

A factor which makes the present situation particularly difficult to understand is that no one seems to be able to state with any degree of assurance just what are the present relations between Generals Kita, Doihara, and Sugiyama. While one section of public opinion feels that Sugiyama would not have been sent to Peking had he not been generally in favor of Doihara's plans for the new government, there is another school of thought which advances the thesis that Sugiyama is definitely a friend of Kita's and that he has been put here to keep a firm and restraining hand on the activities of "the Lawrence of China."

All of the above is very confusing and probably of little use to M.I.D., but is reported in the hope that it will at least afford a glimpse of some of the high lights of the present situation in Peking. Actually it is believed that no foreigner at the present time understands the true inwardness of the situation and that probably very few Japanese do.

Having thus far reported a number of rumors, a few more may be recounted. Reports from reliable sources for the past two weeks have stated that Wang Ke-min, head of the Executive Commission of the Provisional Government, was due to be relieved of his office, possibly even put out of the way by the Japanese, on December 13th. "The Ides of March have come," and gone and Wang Ke-min is still in office, a circumstance giving rise to a new crop of reports that he is to be retained after all.

Serving to becloud the situation still further, reports have been in circulation in supposedly informed quarters that the five provinces of Hopei, Shantung, Shansi, Chahar, and Suiyuan will not be included in the new regime when it is established, but will be formed into a separate autonomous "Huapeikuo" (Country of North China) which will in effect be a second Manchukuo. Doihara is said to favor this procedure, a report possibly arising from the fact that he unsuccessfully attempted in 1935 to single-handedly bulldoze these provinces into detaching themselves from the National Government of China and forming just such an autonomous regime. As Doihara was reported to have been greatly embittered by his failure to put over this coup, it is possible that he may still have plans along this line.

Most reports agree that when the new government comes into being it will take the form of a federation of the Provisional Government, the Reformed Government, and possibly some other regimes not yet brought into being. Whether or not the governments of the Mongol Border Joint Committee (Inner Mongolia, South Chahar, and North Shansi) will be included in this federation is a mooted question which it is believed has not yet been decided. A complicating factor in this issue is that these governments are the pets of the Kwantung Army, which may or may not want them included in a new regime for China.

2. Relief of General Terauchi.

Just what was behind the replacement of General Count Terauchi, who as noted above has recently been replaced as Commander-in-Chief of Japanese Forces in North China by General Sugiyama, is not definitely known. As a matter of fact there may have been nothing of any particular importance behind the shift. No one high in the Japanese military or civil heirarchy seems to be able to hold an important job very long, and as General Terauchi had been here almost two years, his relief as a purely routine matter would not have been unusual. Rumors are, however, now current that General Terauchi was not hard-boiled enough toward foreigners to suit the present policy of the Japanese Government, and consequently many persons believe that the coming of General Sugiyama will herald an administration characterized by a stiff attitude in this respect. As yet no indications to support such an opinion have been noted.

It is interesting to note in connection with General Terauchi's departure from Peking that the Japanese seem to have had very little use for him, rating him generally as a stuffed shirt who did as little as he possibly could along any line.

As far as can be determined, General Sugiyama's coming to Peking has resulted in no important shifts among his subordinates. Lieutenant-General Yamashita, who was Chief of Staff under Terauchi, has not been relieved nor has Lieutenant Colonel Shigeyasu, the officer in Japanese head-

quarters who has the most to do with foreign military and diplomatic officials and who is generally believed to be the real power behind the throne on the staff. Colonel Shigeyasu, who speaks good French and Italian but no English, has not been generally popular among foreigners outside the Berlin-Rome-Tokyo axis, but is generally spoken of among the Japanese as an able and energetic officer.

3. Status of the Tientsin Concessions.

Reliable sources predict that one feature of the hard-boiled regime which it is said General Sugiyama will inaugurate in North China will be definite action to secure a measure of control over the British and French Concessions in Tientsin. General opinion is that the Japanese at first will not invade the areas concerned, but will seek to effect a paralyzation of normal activities therein by restricting the ingress and egress of Japanese and Chinese. It is not considered likely that freedom of movement of foreigners will be interfered with, at least not at first.

Reports received during the last day or so concerning the present situation in the French Concession in Hankow seem to give a good indication of what may be expected in Tientsin. In Hankow the Japanese have been interfering with the food and water supply and are refusing permission to Chinese to leave the Concession without passes, very few of which have been issued. The situation is reported to be rapidly assuming a serious aspect.

4. Stiffening of Japanese Policy toward Foreigners in China.

From the tone of the press and the official announcements of the Foreign Office, the Japanese Government seems anxious to make it clear to the nationals of countries outside the anti-Comintern Pact that their rights and privileges in China are due to be drastically curtailed in the near future. This note of warning appears especially evident in the press reports forecasting the probable set-up of the coming new regime in China, which items almost invariably emphasize the alleged necessity for making the establishment of the new government an occasion for getting rid of such outmoded restrictions on China's sovereign rights as extraterritoriality, unequal treaties, concessions, settlements, leased territories, and foreign garrisons (except Japanese) on Chinese soil. In short, the general tone of the Japanese press concerning the rights long enjoyed by foreigners in China reminds one of the Briggs cartoons which ran for a long time in American papers, the theme of which was, "Them Days is Gone Forever!"

England continues to come in for much harsh criticism in the Japanese press because of the stubbornness with which her subjects appear to cling to the idea that they have rights in China. Against France, however, the press blasts of late appear directed not so much against the inability of France to see the realities of the situation

in the Orient as against her alleged permitting of arms shipments to China through Indo-China, and the ill treatment to which it is claimed Japanese subjects have recently been subjected in Indo-China. The United States is admittedly the least unpopular among the great powers which have not yet seen the light in Asia, and we are generally credited with having maintained a neutral attitude in the present war. Even against us, however, warnings are often directed that we must not expect to cling to such an outmoded instrument as the Nine-Power Treaty, which the Japanese have been claiming for some time is now completely out of joint with modern times in the Orient.

To the student of history it is interesting to observe Japan, who during the years between the establishment of the Chinese Republic and the outbreak of the present war consistently blocked every move on the part of the United States, Great Britain, and other countries to restore to China some portion of the rights which she had lost both through her own ill-advised actions and the machinations of powers seeking to devour her, now coming forward in the guise of a champion of Chinese rights and sounding the very slogans of "Down with Imperialism" and "Abolish the Unequal Treaties" which were so long the rallying cry of Kuomintang radicals and anti-foriegn students. That no one is fooled by this sudden assumption of solicitude for China's welfare on the part of Japan makes very little difference in the present situation.

An Englishman of high official position remarked to the undersigned a few days ago that in the eyes of the Japanese press his country and France had for some time been running neck and neck for the distinction of being Japan's "Public Enemy Number One," but he thought that the British Empire had recently forged ahead a little, to which opinion this office subscribes.

5. Soviet Russia.

Japan is making no secret of her irritation with Russia's failure to come to terms on the long-outstanding question of Japanese fishing rights in Siberian waters, which rights Japan claims were guaranteed under the Treaty of Portsmouth which settled the Russo-Japanese War. An agreement satisfactory to Japan was initialled in 1936, but Russia refused to sign when Japan joined the anti-Comintern Pact. Temporary year-to-year fishing agreements have been signed since 1936, but Japanese is extremely anxious to have the matter settled for good. The present "modus vivendi" expires on December 31st, after which date Japanese fishing in Siberian waters will be greatly curtailed unless some sort of an agreement is reached prior to that time.

The Japanese Government has been particularly irked because the Soviet Government has insisted in dragging into the negotiations concerning fishing rights the matter of the money which Russia alleges Manchukuo still owes on the

purchase of the Chinese Eastern Railway, which debt was guaranteed by Japan. Japan has thus far refused to allow the question of the unpaid instalment to be linked with the fishery negotiations.

The Japanese press and even the Japanese Foreign Office has recently been making much of Japan's grievances against the Soviet Union, among them alleged inteference with the rights of Japanese citizens operating oil leases in North Saghalien and ill treatment of Japanese consular officials and citizens in Soviet territory. Foreign press sources also claim that the recent action on the part of Soviet military forces in reoccupying the position at Changkufeng, from which the Japanese ejected them last summer and from which the Japanese later withdrew, is regarded by Japan as openly insulting.

This office is of the opinion that the fisheries question and other matters now at issue between Japan and Russia will either be patched up or allowed to drag along without serious consequences for the present. It is believed, however, that if Japan can settle the military phase of her program in China by next spring, there is a very strong possibility that she will attack Russia next year. Extremely significant along this line was the recent statement of General Tojo, Vice-Minister of War, that Japan must be prepared to fight Russia while she is still engaged in her China campaign. As yet the Japanese authorities have neither confirmed nor denied that General Tojo's statement represented the views of his government.

Concerning the relations of Russia and China, reports from well-informed sources in Chungking state that while disappointed that Russia has not come more definitely to her aid, China is still grateful for what Russia has done and Russian prestige is still high in China.

This source believes, however, that China would prefer to receive aid in the present crisis from Great Britain or the United States rather than from Russia because of her unfortunate experiences with the Soviet Government during the last revolution when Russia, although extending substantial aid, sought to gain too much control in China's affairs. The opinion is also expressed that Russia, while sincerely desirous of aiding China in the present juncture, must consider her actions very carefully in view of the present precarious situation in Europe.

6. <u>The National Government</u>.

The reports in circulation at the time our last Comments were written, to the effect that the British Ambassador to China was acting as an intermediary in offering peace terms to China, have been categorically denied in authoritative quarters. According to the Ambassador his conference with Chiang Kai-shek had no special significance and was merely for the purpose of affording the British envoy an opportunity to renew contacts with the government

to which he is accredited. In connection with the conference, however, Colonel Stilwell reports that Chiang Kai-shek made it an occasion to ask the Ambassador point blank if England intended to do anything definite to help China. The Generalissimo is also reported to have stated that unless Great Britain intended such action, he had no desire for further conversations with His Majesty's Ambassador.

The Fifth Plenary session of the Central Executive Committee of the Kuomintang, the highest organ of the Chinese National Government, is scheduled to open in Chungking on December 15th. Press reports state that an important matter to be taken up is the consideration of measures by which all classes of persons in unoccupied territory can assist in continuing resistance against Japanese aggression. This sounds rather vague, however, and it is probable that as usual the real business of the session will be kept a closely-guarded secret.

From all indications, however, no peace measures will be considered. Since the dying down of the reports that the British Ambassador offered peace terms to Chiang Kai-shek, nothing has been heard to indicate that the National Government has any idea of making peace. A few days ago the Chungking "Ta Kung Pao," considered as more or less an official government organ, stated that China could not now obtain even a humiliating peace from Japan, which country desires only a peace involving the abject surrender and enslavement of China; and that the only hope of obtaining an honorable peace is to continue resistance to the end.

Reports from reliable sources in Chungking state that while since the outbreak of the war there has at no time been a strong peace party in the government, the few weakkneed and war-weary who have appeared among important persons are at present exerting little influence and their number is becoming smaller. Wang Chung-hui, Minister of Foreign Affairs, who has previously been regarded as in favor of making peace is now said to have lined up with the "last-ditch" party.

As far as can be determined from this distance, the atmosphere in Chungking at present is more optimistic than it has been for some time, principally because reports of increasing irritation on the part of Great Britain and the United States over the continued closing of the Yangtze and other manifestations of Japan's intention to keep the Open Door tightly closed have raised hopes that definite aid may be hoped for from these quarters.

Dr. C. T. Wang, former Chinese Ambassador to the United States, arrived in Hongkong on December 3rd and has gone to Chungking to report. No one in supposedly informed circles in Peking seems to have any definite opinion as to why Dr. Wang was relieved of his post. Some reports say that he got himself into trouble by bad management of a campaign to raise funds for China through "rice bowl" dinners in the

United States, but even if this report is true it would seem scarcely sufficient grounds to relieve an ambassador.

As to the abilities of Dr. Hu Shih, who has succeeded Dr. Wang, general opinion here is that while he is a gifted scholar and a most charming gentleman, his political and diplomatic background is not sufficient to enable him to fill adequately the difficult and important post to which he has been assigned.

7. Economic.

Indicative of what may be expected along the line of Japanese economic control in China, the Provisional Government on December 1st put into effect a virtual ban on the export of cotton to areas other than those under the jurisdiction of this regime. "The Peking Chronicle" reports that as a result of the ban exports of cotton during the week December 11th to 17th dropped seventy per cent. The obvious purpose of the embargo is to enable Japanese-controlled agencies to buy as much cotton as they desire at their own price.

A conference of alleged economic experts from China, Japan, Manchuria, Korea, and Inner Mongolia was adjourned in Japan on November 28th. The announced purpose of the conference was the discussion of economic problems mutually affecting the countries represented and the consideration of measures to improve trade relations. As far as can be determined, however, the only results attained were to afford some of the more ardently pro-Japanese among the delegates the opportunity to make statements which they apparently thought would please the Japanese. Prominent among these "yes-men" was Mr. Yin Tung, former head of the Peining (Peking-Shanhaikuan) Railway and now Minister of Reconstruction in the Provisional Government. Mr. Yin expressed himself as being opposed to permitting foreign capital to reap benefits from future investments in China and declared that abolition of foreign concessions was a necessary step to the economic advancement of this country.

During the period covered by these Comments the Chinese dollar for the first time in weeks rose to less than five for one in relation to the U. S. dollar. It now appears to be gradually falling back to around 5.60 again.

It is becoming increasingly difficult to buy Japanese yen in Peking, due principally to efforts on the part of the Japanese authorities both here and at home to prevent the smuggling into Japan of yen bought in China at the rates of exchange prevailing here. As a result, the yen now commands about a seven per cent premium when bought with Federal Reserve Bank notes, although the two are supposedly pegged at par.

Foreign banks are still willing to pay either Federal Reserve notes or the issues of the Bank of China and

Bank of Communications in exchange for foreign currencies. Federal Reserve notes, of course, can not be used to purchase foreign currency, but are readily exchangeable for Chinese national bank notes which can be used for this purpose. Chinese national bank notes, in spite of a nominal discount of ten per cent which the Japanese have attempted to put into effect against them, continue to command a very slight premium (around one per cent) over Federal Reserve Bank notes. Reports are in circulation that a further devaluation of Chinese bank notes is to be attempted this month. If no more successful than the first, it will have little effect. Chinese bank notes are, in accordance with a decree of the Provisional Government issued some months ago, to be completely outlawed next March, at which time it will be interesting to observe what measures the Japanese will take to launch the Federal Reserve Bank into the foreign exchange business.

There are probably more different kinds of currency in circulation in Peking at the present time than in any other place in the world, but the Japanese controlled banks in North China, that is to say the Yokohama Specie, Bank of Chosen, Mengchiang (Mongol Border), East Hopei, and Hopei Provincial Banks, are exerting every effort to call in their notes and replace them with the issues of the Federal Reserve Bank, the intention being to create a situation in which Federal notes are the only circulating medium at which it is hoped that Japan will be able to control exchange, at least to a much greater extent than is now possible. That this can be done, however, many persons in business and financial circles seriously doubt.

One ace which the Japanese still have in the hole for the control of the money situation in China is the possibility of refusing Customs clearances to exports and imports for which the financial transactions are not handled through Japanese-controlled banks. The institution of such a restriction on trade would of course raise opposition in foreign business circles, but its application is a possibility to be considered.

Japanese authorities in North China are reported gratified by a recent decision of the British ~~and French~~ Municipal Council in Tientsin to accept Federal Reserve notes in payment of taxes and in other official transactions. Hitherto only Chinese national bank notes have been accepted for such purposes. The Concession authorities state that this action was taken at the request of the residents of the concessions, not to placate the Japanese, but it appears that both considerations may have entered into the matter. The Chinese National Government is reported displeased with the step and is said to be considering "appropriate action."

This office notes that the North China Development Company, the organ by which the economic development of North China is supposedly to be carried out, has opened an office in the premises formerly occupied by the China Development

Company. Reports from informed Japanese quarters state that the China Development Company has been merged into the larger organization, but that the activities of the North China Development Company are still in the planning stage. The President of the Company, which was formally inaugurated in Tokyo last month, is now in North China, supposedly looking over the ground preparatory to undertaking actual operations to put into operation the many ambitious plans along lines such as transportation, mining, communications, and so on, the accounts of which have filled much space in the press for some months.

Reports from Kobe state that thousands of Japanese who are to take part in business and reconstruction projects in North China are taxing the passenger accommodations of steamers plying between Kobe and Tientsin. According to the report the authorities are limiting the emigrants to those having definite occupations. The appearance of many of the Japanese observed on the streets of Peking, however, gives the impression that many poor people and possibly a considerable number of undesirables are among those joining in the rush to the new frontiers opened in China by the Japanese Army.

The sudden increase in the Japanese population of North China has caused an unprecedented building boom in Peking and Tientsin, as the result of which the cost of building materials has risen sharply, while wages paid to skilled laborers are steadily increasing.

8. Opening of the Yangtze to Commercial Shipping.

After stalling on the question for some months, the Japanese Government announced bluntly on November 14th that no date can be set for opening of the Yangtze to commercial vessels of third powers. This announcement followed the presentation of identic notes on this subject by the United States, Great Britain, and France. Dangers of navigation from floating mines and guerrilla forces on the banks, the possibility that the river might be used for shipping arms to the Chinese, and general military necessity were given as the reasons why the river could not be opened. Japanese authorities in Shanghai have since stated that the question of opening the river to navigation is one to be decided solely by the senior Japanese naval officer in Chinese waters. The Japanese reasons for the continued closing of the Yangtze sound flimsy enough, but not as flimsy as the allegation that no Japanese commercial shipping is plying the Yangtze except that engaged in supplying the Army and Navy or in carrying food supplies for the relief of the Chinese people. In contravention of this statement British business circles have for some time been pointing out that schedules of Japanese passenger and freight vessels operating between river ports are regularly published in Shanghai.

A recent report discouraging to shipping circles is that the Japanese will probably not permit the opening of the Pearl River, through which shipping passes in and out of

Canton, for fear that it may establish a precedent for the opening of the Yangtze.

British irritation over the continued closing of the Yangtze is indicated by the fact that the British Government has formally notified the Japanese government that it can not accept as valid the reasons stated for this action. Moreover questions in the House of Commons demanding to know what action the British Government contemplates for the protection of British shipping and other interests in China is becoming increasingly frequent and sharper in tone.

A late report states that a Japanese company will shortly be granted a monopoly for the operation of freight and passenger vessels on the Yangtze. If this is true, the death knell of British and other foreign shipping interests in the Yangtze Valley has been sounded, for a Japanese company has already secured a strangle hold on all traffic on the smaller rivers and creeks of Central China.

9. Manchukuo.

The text of an agreement recently signed between Poland and Manchukuo accompanies these Comments as a separate report. The action of Poland in concluding an agreement, albeit one of little importance, with Manchukuo seems out of keeping with her recent demarche to Russia, which contemplates a closer union with that country. The obvious explanation is that Poland, by reason of her present precarious international situation is forced to play the role of champion fence straddler among the nations of Europe.

10. Mongolia.

The Mongolian goodwill mission to Japan, headed by Teh Wang, arrived back in Peking on November 18th.

A party of newspaper men was recently taken for a tour of inspection, under Japanese Army chaperonage, over the Peking-Suiyuan Railway to Paotou and return. Since the return of this party a long series of articles about conditions in the areas under the Mongolian Border Committee (Inner Mongolian Autonomous Government, South Chahar Government and North Shansi Government) has been appearing in "The Peking Chronicle." When the series of article is completed it will be digested and a report rendered thereon.

Domei, Tokyo, reports that German, Italian, and other foreign merchants are now active in Inner Mongolia, particularly since the abolition of the monopoly on wool purchases which had been granted to the Japanese-controlled Association of Wool Buyers.

11. Germany.

It is difficult to interpret the action of the German Government in repeatedly postponing the presentation

of credentials by the newly appointed Chinese Ambassador to Germany in any other way than as a deliberate insult to a nation which can do nothing to retaliate. Latest reports from Berlin are, however, that a date for the presentation will shortly be announced and it is hoped that the matter has now been settled.

Reports from German commercial circles indicate that they are by no means in sympathy with the policy which their Government has for some time followed of favoring Japan against China. It is feared, however, that the voice of the overseas merchant is as little likely to be heard in Germany as it is in Japan.

12. <u>France</u>.

At a time when relations between Japan and France are strained, it is pleasing to note the amicable settlement on November 23rd of an incident which occurred last summer in which a French soldier was alleged to have seriously injured a Korean in a cabaret brawl. According to Domei, a most conciliatory attitude was displayed on both sides in the settlement of the affair, the French expressing regret and offering to pay the hospital expenses of the Korean, and the Japanese also expressing regret for injuries which the French claimed had been received by the soldier.

For and in the absence of the Military Attache:

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COMMENTS ON CURRENT EVENTS

December 15, 1938 - January 8, 1939

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1. Japan's Terms for Settlement of the China Question.

Statements of basic policy regarding the situation in China have frequently emanated from Japanese official sources since the war broke out and although usually given wide publicity both in advance and after release have often proved distinctly disappointing. The statement of Japan's basic policy regarding the projected establishment of a new order in the Far East, as ununciated by Premier Prince Konoye, on December 22nd, has, however, attracted the widest attention and is generally conceded to be the clearest and most fundamental statement of Japan's intentions in China which has as yet appeared. Unusual attention has also been attracted to Prince Konoye's statement because of the fact that it was followed so closely by Mr. Wang Ching-wei's startling proposal that China should enter into peace negotiations on the basis of the terms outlined by the Premier.

While Prince Konoye's statement, which carries the weight of the Imperial sanction, contains nothing particularly new, it is of interest and importance because unlike some similar pronouncements in the past, it largely refrains from more or less meaningless denunciations of Chiang Kai-shek and the Kuomintang and expresses definite policies in a manner which clearly suggests that they are intended as a basis for future peace negotiations between China and Japan. Stripped of unnecessary verbiage, Prince Konoye's statement lays down the following points as a basis for the adjustment of relations with China:

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(1) China, Japan, and Manchukuo must be united politically and China must recognize Manchukuo.

(2) China must conclude an anti-Comintern pact with Japan.

(3) Japan must have the right to station troops as anti-Communist forces at various points in China as long as the China-Japan anti-Comintern pact remains in force, and Inner Mongolia must be designated as a special anti-Communist area.

(4) China must extend economic cooperation to Japan, including right of freedom of residence and trade for Japanese subjects in the interior and extension to Japan of facilities for development of natural resources, particularly in North China and Inner Mongolia.

(5) Japan will demand neither territory nor indemnities from China.

(6) As evidence of respect for China's sovereignty, Japan is willing to work for the abolishment of extraterritoriality and the rendition of concessions and settlements.

(7) Japan, though demanding economic cooperation with China, does not desire economic monopoly and will not demand that China limit the interests of third powers "who appreciate the meaning of the new East Asia and are willing to act accordingly."

If not carefully examined, Prince Konoye's terms may appear liberal, even generous, particularly if one takes at face value the statements about Japan's not desiring territory or indemnities, but only friendship and economic cooperation on a basis of equality. But anything more than a hasty reading reveals that the terms are tantamount to a demand for unconditional surrender. If Japan is allowed to station troops where she pleases in China, she can demand, and probably get, practically anything she wants from China, particularly as any objection to Japan's desires on China's part could easily be branded as opposition to economic cooperation, or a failure to support the anti-Communist measures to which China would be committed if she subscribed to the proposed anti-Comintern pact. In addition, recognition of Manchukuo would mean complete renunciation on China's part of any slight hopes which she may still retain of regaining that lost territory.

Summing up, it is difficult to imagine a set of terms which would more completely hamstring China than those offered in Prince Konoye's statement. The sop about protecting China's sovereign rights by abolishing extraterritoriality and giving back concessions and settlements could hardly deceive a child, so patently is it intended as

a blow at the interests in China of those foreign powers which Japan does not like. As for Japan's alleged intentions not to limit the interests of third powers in China, the qualifying phrase, "who appreciate the meaning of the new East Asia and are willing to act accordingly", gives the whole thing away.

The spokesman of the Japanese Foreign Office, on December 23rd when asked to clarify Prince Konoye's statement, is reported to have said that it was clear enough if one would read between the lines. To this office there appears to be no necessity of reading between the lines - the statement seems perfectly clear on its face.

2. Mr. Arita on Foreign Economic Activities in China.

Prince Konoye's statement of December 22nd, commented on above, completely eclipsed the pronouncement made on December 19th by Mr. Arita, the Foreign Minister, on the subject of the establishment of a new order in East Asia. Mr. Arita's statement dealt principally with the necessity of economic cohesion between Japan, Manchukuo, and China, and contained little which was not more effectively covered in Prince Konoye's declaration.

One or two points in Mr. Arita's statement are, however, worth noting, one of which was a declaration that while European and American economic activities would be welcome in East Asia under the new order, it was nevertheless imperative that such activities should be subject to certain restrictions dictated by the requirements of national defense and economic security of the countries grouped under the new order, and that no political privileges should be attached to those activities.

The above statement appeared at some variance with a part of Mr. Konoye's declaration, namely that Japan does not intend to ask China to limit the interests of those powers which grasp the meaning of the new order in East Asia and act accordingly. When asked to explain this apparent conflict in the two statements, the spokesman of the Foreign Office refused comment. To this office, however, it appears that there is little discrepancy between the two statements. Mr. Arita's meaning seems to be that there should be decided limitation on the economic activities of third powers in China; while Prince Konoye in effect states that such powers will be allowed a free hand - providing they do just as Japan wants. Thus both seem to have the same idea, although expressed in different terms.

Another interesting point in Mr. Arita's statement, although the point has been often raised before, is that the contention of the United States and other countries that the Open Door has been closed in Manchuria is not tenable in view of the fact that exports from the United States to Manchuria have increased almost one hundred per cent since Japan took over that country. The American rejoinder to

has increased
this statement is of course that while our trade with Manchuria, all our business affairs in that country are now handled through Japanese firms, a circumstance which works to our disadvantage in many ways. There seems to be no denying, however, that Open Door or no Open Door, the United States is making more money in Manchuria now than she did under the old regime.

3. The Disaffection of Mr. Wang Ching-wei.

The bombshell exploded by Mr. Wang Ching-wei on December 30th when he came out with a lengthy statement advocating the making of peace with Japan on the basis of the terms offered by Prince Konoye on December 22nd has created a tremendous sensation in China and has given rise to such a mass of reports, rumors, opinions, and predictions, many of them contradictory, that it will be some time before the essential facts in connection with the affair are known, if they ever are.

At the present time the consensus of informed opinion seems to be that Mr. Wang does not desire to sell out China, but is acting for what he considers the best interests of his country. That he has caused sorrow to the patriotic Chinese and joy to the Japanese by this action is, however, generally admitted.

Some points in connection with Mr. Wang's departure from Chungking seem fairly well established. The fact that his family, staff, baggage, and books preceded him indicates beyond a doubt that his flight was the result of a carefully laid plan, not of a sudden decision on his part. Mr. Wang was presented with an excellent opportunity to leave China when he flew to Yunnanfu (Kunming) about December 20th to make a speech. His business in Yunnanfu completed, he simply took off in the plane for Hanoi instead of Chungking. So far as is known, he is still in Hanoi. According to some reports he has neither passport nor other travelling papers, hence is unable to leave Indo-China, although it was at first stated that he was proceeding to Hongkong, whither his family had preceded him, to start on a trip abroad. The fact that Mr. Wang would not be likely to secure travelling papers before leaving Chungking lest such action should disclose his plans of leaving China tends to support the report that he has no passport.

When Mr. Wang's departure from Chungking first became known it was announced that he had been granted four months leave of absence for the sake of his health, but it now appears that this statement was merely intended to cover the embarrassment of the Chinese Government at his departure.

Mr. Wang's statement was issued, according to press reports, through his representatives in Hongkong. It has not yet been definitely established that he was entirely responsible for the wording of the statement or even that it was emanated from him, as he himself has not been heard from directly since he arrived in Hanoi. On this score,

however, there seems to be little doubt, and the Chinese National Government in its semi-official statement concerning Mr. Wang's message - no official statement has as yet been issued - declares that while the authenticity of the declaration is not beyond question, it nevertheless feels compelled to accept it as expressing Mr. Wang's own views.

What appears to be a semi-official reply to Mr. Wang's proposals was issued in Chungking on January first in the form of a joint statement by the Central Publicity Board and the Political Affairs Department of the Military Affairs Commission and was printed in the "Central News," recognized as an organ of the Government.

This statement, a very long one, has been radioed in full by the American Embassy in Chungking to the State Department. In the opinion of this office it is a masterpiece in the manner in which it makes use of every possible device to minimize the harmful effects of this open bid for peace from a recognized leader of the Kuomintang party and a most important figure in the Chinese Government. The general tone of the statement is one not of condemnation of Mr. Wang for his action but of shocked surprise that he could have done such a thing. In view of his record, the statement contends, Mr. Wang must have been suffering from a temporary delusion when he sent the message, which, in spite of the fact that a copy of it was never officially received by the Chinese National Government, from every indication must be taken as the true expression of his views.

The semi-official statement of the Government admits, however, that Wang Ching-wei on several occasions in the past has displayed weakness in advocating a peace with Japan, even though he knew that such a peace could not be made except on terms which would destroy the existence of China as a sovereign nation. Even in view of these circumstances, however, the statement expresses astonishment that Wang could have been so far misled on this occasion as to think that Prince Konoye's terms offered anything like an honorable peace.

There are so many angles to Mr. Wang's peace proposal that a consideration of them all would not only be wearisome but in the present state of uncertainty about the whole affair would probably be of small value. One or two points are, however, worth commenting on. In the first place, as soon as the news of Mr. Wang's proposal was broken, it was opined in several quarters that in spite of official declarations to the contrary, he had left Chungking at the instigation of Chiang Kai-shek to sound out the Japanese on the subject of making peace. It was pointed out that if Mr. Wang's action brought good results, Chiang Kai-shek could claim the credit, but if the peace bid was a failure, Wang's proposals could easily be repudiated. In spite of the fact, however, that it would appear to the advantage of the Japanese to play up this interpretation of the affair, they

have denied that Mr. Wang had any backing at all from Chiang Kai-shek and hail his bid for peace as a courageous act which he is making on his own initiative because of a sincere desire to save his country from further suffering.

Another point on which there has been much speculation is whether or not Mr. Wang had been in touch with the Japanese before he left Chungking. Although there seems to be practically no disposition to brand Wang as a deliberate traitor ("sell-country thief" as the Chinese put it), many believe that he had been approached by the Japanese and probably acquainted in advance with the nature of the terms which Premier Konoye discussed on December 22nd. The very closeness with which Mr. Wang's peace message followed the Premier's statement suggests this, for it seems hardly possible that Mr. Wang could have prepaped his lengthy statement and arranged for it to be released on December 30th had he not known in advance what Prince Konoye was going to say on December 22nd.

But whatever the fact behind Mr. Wang's actinn, he has been promptly and thoroughly disowned by the Chinese Government, albeit with surprisingly less rancor than might have been expected under the circumstances. The reason for letting him down so easily probably lies in the fact that even after this apparently unforgivable act on Mr. Wang's part, the Chinese Government is not sure that they may not have to take him back again some day, in which case it is just as well not to condemn him too harshly. After all, Mr. Wang was in open revolt against the Government of China in 1930, when as political head of the Yen Hsi-shan -- Feng Yu-hsiang rebellion against Chiang Kai-shek's newly established Central Government he occupied a position somewhat analogous to that of Mr. Jefferson Davis during the Civil War. Later, however, after Yen and Feng had come uncomfortably close to defeating Chiang Kai-shek, the last named found it expedient to send out the word, "All is forgiven, return home at once," to Wang Ching-wei and take him to his bosom again as a hero, patriot, and true son of the Revolution.

What will be the ultimate effect of Mr. Wang's action is difficult to foretell at this time. In spite of his complete repudiation at the hands of the Government and his dismissal from all offices thereunder, his bid for peace is bound to have some effect because of his high position, his undoubted ability, and his reputation as a generally sincere, if sometimes misguided, worker for what he considers the good of his country. Furthermore, his action will certainly hearten those in the ranks of the Kuomintang who favor peace. Such persons have hitherto wielded little influence, but the defection of Mr. Wang must inevitably give some encouragement and lend some strength to the war-weary - just how much remains to be seen.

That the Japanese will make the most of the ammunition with which Mr. Wang has seen fit to provide them is a foregone conclusion. The Japanese press is leaving no stone unturned to make it appear that Mr. Wang's flight from Chungking and his subsequent bid for peace indicates a serious split in the ranks of the Chinese Government which will seriously undermine its ability to continue resistance. Mr. Wang's expulsion from the Government is also hailed as a triumph for the communists and a defeat of the rightist elements, which the Japanese of course hope will tend to alienate the sympathy of capitalist nations, particularly the United States and Great Britain.

There are many who predict that Mr. Wang will eventually head the new regime which Japan intends to set up in China. Certainly if the Japanese can get him to do this he will be a much better man for the place and carry tremendously more weight than an old, worn out warlord like Wu Pei-fu or some second rate "stuffed-shirt" Anfu politician, such as Chin Yun-peng, who has been mentioned as a possible candidate for the place of head of the new regime if Wu can not be induced to come out. Whether or not Mr. Wang would accept such a place under the Japanese remains to be seen. He is known to be ambitious and has long been irked by having to play second fiddle to Chiang Kai-shek, but whether he would care to be Number One in a Japanese-dominated state is doubtful. In any event, whatever potentialities he has for good or evil toward China, the general belief is that he has not long in which to exercise them, as it has been reported on good authority that he will die of diabetes within a year or two at most.

4. Chinese Reaction to the Resignation of the Konoye Cabinet.

The general reaction in Chungking to the resignation of the Konoye Cabinet, as far as can be determined from this distance, is one of general indifference. The resignation was, however, for purposes of public consumption interpreted as a definite indication that the Japanese campaign in China thus far has been a failure. Also probably for public consumption, it was stated in Chungking that Premier Konoye resigned because his statement of December 22nd, issued after secret negotiations with Wang Ching-wei, failed to produce a split in the Chinese government. Taking a more detached view of the Cabinet shift, Chinese political circles have expressed the belief that a desperate stand for existence on the part of Japan's major political parties was behind the Cabinet shift. To sum the matter up, however, it was declared in Chungking that no matter waht changes there might be in the Japanese political line-up, the Chinese Government was determined to carry on resistance to the bitter end.

5. The British and American Loans to China.

The announcement that the United States and Great Britain had decided to grant loans to China was received in

unoccupied China and in patriotic circles outside thereof with unfeigned rejoicing. As officially stated in Chungking, the Chinese value the loan far above the amounts of money involved, or as a Chinese friend of this office very succinctly put it in his own language, "Money small, meaning big."

Reaction to the loans in Japan, as far as can be observed from this office, hasnot been as violent as might have been expected. In commenting on the report of the loans on December 19th, the Japanese Foreign Minister, Mr. Arita contented himself with stating that while the loans may have been made for purposes of trade, they would necessarily lead to the prolongation of hostilities and consequently to the embarrassment and inconvenience of third Power nationals. He further stated that he considered the American loan particularly inopportune because the United States had so far acted with understanding and discretion concerning the China affair. Mr. Arita's personal opinion is that the American loan was not intended as a political gesture against Japan, but if, as American newspapers had stated, the contrary were the case, he considered it as a dangerous move.

The tone of the Japanese press toward the loans has also been surprisingly restrained. On December 22nd, the Tokyo "Nichi Nichi" scored Great Britain and the United States for "lack of understanding" in granting the loans, but the language of the article, assuming it was correctly translated, could not be considered as offensive.

The consensus of informed opinion in China appears to be that while Japan deeply resents the American and British loans she dare not express her feelings too openly, and will be very slow to initiate retaliatory measures because of the vital importance to her at the present time of her foreign trade. It is generally agreed that Japan has financed the way very successfully thus far, but she can not afford to risk increased drains on her which would steadily, if slowly, diminish gold reserves by causing curtailment of her export trade. Japan knows that the United States has the power, with a minimum of bad consequences to herself, to deal Japan a telling blow by restrictions or embargos on imports, and Japan is compelled to act discreetly. Thus far, even the Japanese militarists, generally contemptuous of economic factors, do not seem anxious to force the hand of the Japanese Government in this matter.

As far as the Chinese are concerned, their reaction to the loans may be summed up in the statement that it is contrary to every concept of the Chinese mind to believe that any nation, even one so rich as the United States of America, would deliberately put its money on a losing horse.

6. <u>The Japanese-Soviet Fishery Negotiations.</u>

The tense situation precipitated by the stubborn

attitude of the Soviet Government in refusing to accede to Japanese pressure for a renewal of the present temporary arrangement concerning fishing by Japanese in Siberian waters was greatly eased by the announcement on December 12th that Mr. Litvinov, the Soviet Foreign Commissar, had agreed to open negotiations with the object of reaching a new modus vivendi. Subsequent reports from Moscow stated that it had been decided to let the whole matter rest for a short while and take up negotiations anew early this year. Since the easing of the situation on December 12th, not much has been heard on the subject and the general opinion is that while the negotiations will be long and difficult, in the end some sort of a temporary arrangement will be reached which will avert the possibility of an international crisis over this matter for at least another year.

The Soviet Government has agreed to drop the matter of the unpaid last instalment now due on the purchase of the Chinese Eastern (now the North Manchurian) Railway, which for a time Mr. Litvinov insisted must be settled before fishery negotiations could continue. This leaves as the principal bone of contention the matter of the forty fishing lots which have hitherto been leased to the Japanese but from which the Soviet Government now wishes to exclude them on the ground that the lots have an important relation to national defense. The Japanese maintain that exclusion from these lots will entail a loss of millions of yen and they have expressed a determination to insist that they be allowed to continue fishing therein. The Soviet Government has offered to compromise and allow fishing in twelve out of the forty lots in question but the Japanese have refused this offer. From the present aspect of the matter, there will have to be some compromise effected, but if Japan is compelled in the end to accept less than the desired forty lots, it will be quite a feather in the cap of the Soviets, as the Japanese will lose face if they recede to any extent from their present demands.

The Assistant Chief of Staff, G-2 is probably fully informed on this point, but the undersigned was interested to learn that a fishing lot consists of a strip of shore line several hundred yards long and extending about the same distance inland. The size of the lots varies in accordance with the amount of fish which can be taken in a given area. Where fishing is good, the lots are small, and vice versa. The lots are used as bases for fishing and canning operations and the lessees are permitted to maintain thereon buildings for these purposes under restrictions laid down in fishery agreements.

As an official of the Soviet Embassy pointed out a few days ago, the fishery question is not too pressing just at this time, as fishing operations can be carried on only from the beginning of May till the end of August. It is, however, important to the Japanese to know in what lots they will be permitted to fish this year, so they may make preparations accordingly.

Japanese threats that they will resort to free fishing if no agreement can be reached on the fishery question need not be taken too seriously. It seems scarcely probable that Japan will forcibly occupy fishing lots on shore, in which case resort to free fishing means that operations must be confined to the open sea where not only fishing would be more difficult and less profitable than near shore but would also entail the risk of permanent injury to the fishing industry which would be as much to the ultimate disadvantage of Japan as of Russia.

7. Shipment of Munitions through Indo-China.

In spite of official French announcements to the contrary, it is known that munitions shipments through Indo-China into Kwangsi and Yunnan continue, a condition against which Japanese official and press circles continue to register bitter complaints. No signs are discernible at this time, however, that Japan intends to take any definite measures to control this situation. Due to their fear of an invasion of Kwangsi after Japanese landings on the shore of southwest Kwangtung, the Chinese have themselves destroyed two routes by which munitions have been imported from Indo-China. One of these routes was by motor road from Kwangchow Bay, which is leased to France, and the other through Tungching, a point on the coast of Kwangtung near the Indo-China border. Thus, munitions from Indo-China are now coming in only over the Haiphong-Yunnanfu Railway and the Hanoi-Langson Railway. The occupation of Kwangsi, which it is believed will inevitably be accomplished by the Japanese, will cut the latter route, hence the Japanese can probably afford not to be too greatly concerned over the matter of importation of arms through French territory.

8. Situation in the Foreign Concessions.

On December 15th the Japanese authorities in Tientsin instituted measures to exercise strict control of persons passing in and out of the French and British Concessions. As a result of this action, which has been expected for some time, the movements of Chinese and Japanese in and out of the Concessions were greatly hampered. Foreigners, however, who could produce passports or passes from the Japanese authorities were generally allowed to go where they pleased, but were subjected to examination the same as the Chinese and Japanese. Some interference with the food supply of the Concessions resulted from the restrictions on the movements of Chinese, but this condition was remedied after representations on the subject were made to the Japanese military authorities.

The restrictions were considerably relaxed on December 22nd when the Japanese military authorities announced that travel would be permitted under certain restrictions in and out of the Concessions over specified routes between

5:00 A.M. and 11:00 P.M., outside of which hours no one but foreign military, diplomats, and persons with passports or Japanese passes would be permitted to enter to leave the concessions.

The Japanese reasons for applying the measures described above were clearly stated in Tientsin on December 20th by Lieutenant Colonel Shigeyasu, generally believed to be the power behind the throne in headquarters of the Japanese Forces in North China. Colonel Shigeyasu, who by reason of the fact that he speaks good Italian and little English is generally considered unfriendly to the powers outside the Berlin-Rome-Tokyo axis, stated that the Japanese had applied restrictions in order to force the Concession authorities to cooperate in controlling anti-Japanese elements. Requests for such cooperation, according to Colonel Shigeyasu, had brought no results, hence the Japanese were compelled to resort to harsher means which would be continued until the desired results were obtained.

It is generally understood that the Japanese desire for "cooperation" involves three demands; first, the handing over of "political prisoners," that is Chinese now held in the Concessions after having been arrested at the request of the Japanese for alleged anti-Japanese activities; second, control of the telephone system of the concessions; and third, a share, said to be $12,000,000, of the $40,000,000 in silver now stored in the vaults of a bank in the French Concession and belonging to the Chinese National Government.

The question of the telephone system in the Concessions was settled on December 23rd, when control of the system was handed over to the Chinese, who will be asssisted in administering the system by a committee of British, French and Italian representatives. General opinion in foreign circles is that the Concession authorities must eventually yield on the other points at issue, although they are particularly loath to turn over the political prisoners.

Measures more severe than those used in Tientsin were applied by the Japanese against the French Concession in Hankow from the 17th to the 21st of December. Not only did the Japanese prevent Chinese from entering or leaving the Concession, but for a time even foreigners were not allowed to bring in food supplies for their own use. The reason for the Japanese action was said, as in Tientsin, to be based on a desire to force cooperation of the Concession authorities in the control of anti-Japanese elements. The sudden relaxation of the restrictions on December 21st suggests that the Japanese probably obtained the results desired.

9. The National Government.

The Fifth Plenary session of the Central Executive Committee of the Kuomintang, scheduled to open in Chungking on December 15th, has been postponed and no date set for its convening. The postponement of the session was kept a close secret and it was not known until December 27th that the meeting had not been held. The Japanese are of course laying the failure to hold the meeting to alleged dissensions and difficulties in the Chinese government, but the real reason for the postponement of the session is not yet known to this office.

A bitter attack on Mao Tze-tung, leader of the Chinese Communist Party, was made in the "Central News", organ of the Chinese Government, on December 25th, by Mr. Chang Chun-mai, recognized leader of the Chinese Nationalist Party. Mr. Chang attacked Mao and the Communists for failure to turn over control of the Communist area in Shensi Province to the Central Government and for not allowing Chiang Kai-shek to command directly the Communist armies in the field and to direct their training.

Sikong, originally part of western Szechwan, became an official province of China on January first. General Liu Wen-hui, Szechwan warlord, has been made Chairman. Sikong has been separated from Szechwan for some time, but as a special administrative area, not as a province.

Remittances from overseas Chinese are expected to reach an all-time high point this year of 600,000,000 yuan as compared with an average of 300,000,000 yuan in past years, according to a Reuter despatch from Chungking. The remittances consist principally of contributions to the Chinese war chest, which, according to the report, not only assist materially in carrying on hostilities but as they are remitted in foreign currencies, help to stabilize the Chinese currency. This office in this connection desires to remark that the Chinese, who probably have more regard for money than any other nation, are not inclined to put their money on a horse unless they think he has a good chance of winning.

Life for Chinese officials in the rear areas will soon be no bed of roses, according to a report from Chungking of December 22nd. This report states that Chiang Kai-shek has ordered the arrest of any official, regardless of rank, found indulging in gambling, dancing, visiting brothels, or any other unbecoming conduct. Officials in their spare time are encouraged to read books connected with their work and will be expected to report their progress in such reading.

10. New Governments in China.

Little has been heard during the period of this report about the new pro-Japanese regime which around the first of December was generally believed about to be effected in China. Even as topics of club conversation, the

questions of who will head the new government and when it will be born, seem to have lost interest. The present whereabouts of General Doihara, generally supposed to be engaged in the task of founding the government, are unknown to this office, but little credence is given to reports that he was in touch with Wang Ching-wei shortly after the latter left Chungking.

It is reported from a reliable source that Wu Pei-fu will shortly issue a statement urging the Chinese Government to make peace, which statement is now being prepared for him by the editor of the Japanese-controlled "Hsin Min Pao". Wu is also said to be due to go to Japan in the spring as the head of a delegation to attend a meeting of East Asiatic Chinese which will be held under the auspices of Doihara. All of which seems to have little connection with recent reports that Wu Pei-fu will eventually head the new Japanese-dictated regime. As suggested elsewhere in these Comments, it is believed that if the Japanese could get Wang Ching-wei to head the new government, they would gladly let Wu go by the board.

Reports in circulation about a month ago that Wang Ke-min, head of the Provisional Government, was due to be removed from office have died down, and Wang seems as firm in the saddle as he ever was.

The third meeting of the United Council of the Republic of China, scheduled to be convened here on December 22nd, failed to open and has been indefinitely postponed for reasons unknown. The announced agenda of the meeting mentioned nothing in connection with the formation of a new federated government in China.

Announcement was made by the local authorities recently that the Paochia, or mutual guarantee system, would be applied in certain districts in the suburbs of Peking and in East Hopei. A Digest report on the Paochia system accompanies these Comments.

Mr. Jen Yuan-tao, Minister of Pacification of the Reformed Government, announced in Nanking on December 21st that the Reformed Government now has a standing Army of 10,000 men and has established a military academy to train officers for this force, which is intended principally to combat guerrillas and bandits.

The Provisional Government of China celebrated its first anniversary on December 14th.

11. Shanghai.

Conditions in Shanghai and vicinity continue far from peaceful. Reuter reports a recent alarming increase of armed crime on the western boundaries of the International Settlement in districts adjacent to Japanese-controlled areas. On December 28th, a party of fifteen

American and British men and women in seven motor cars was held up by armed bandits near the Columbia Country Club, which is located inside the Settlement boundary, and robbed of about a thousand dollars worth of valuables. Next day large scale military and police operations were begun to round up criminals in the area where the hold-up occurred. According to press reports, the Settlement police have decided, in cooperation with the British military officials, to erect an extensive system of barbed wire entanglements to keep out robbers and other lawless elements.

12. Economic.

According to Japanese reports, the section of the Tungpu Railway between Ningwu and Shohsien has been completed and was opened to traffic on Christmas Day. Opening to traffic of this section marks the completion of the entire Tungpu Railway, which, in peaceful times runs from Tatung on the Peking-Suiyuan Railway to Tungkwan on the Yellow River in South Shansi.

A report of great possible significance to the economic interests of third powers in China originated from Reuter, Shanghai on December 13th. According to this report, a Japanese shipping company to be known as "The Yangtze River Steamship Company", with headquarters in Shanghai, is to be granted a monopoly of all river trade between that port and points on the Yangtze River. The report states that the company will begin operations in January as a subsidiary of the Japanese Central China Development Company.

It is expected that the company will proceed on the same lines as the China Inland Steam Navigation Company which has secured a monopoly on steamship and launch services in the Shanghai area to the exclusion of all foreign competitors. If the report is true, the death knell of British shipping interests in Central China, already moribund because of the closing of the Yangtze River to commercial navigation, except for Japanese ships, has been sounded.

The Ministry of Finance of the Provisional Government has announced that as of February 20th, notes of Chinese national banks (Bank of China and Bank of Communications) which are now circulating in North China at a nominal discount of ten per cent, will be devalued an additional thirty per cent. This perhaps indicates an intention to defer the complete prohibition of the circulation of these notes, which has been set for March 10th, to a later date. It will be interesting to note whether this announced further reduction in the value of these notes will have any more effect than the first attempted devaluation of ten per cent. Except in cases where the merchant can compel the customer to accept the cut, these notes are still circulating not only at par but at a slight premium.

Besides the fact that Federal Reserve notes will not be accepted for purchase of foreign exchange, reports from a

number of reliable sources state that in districts away from Japanese control, Chinese found in possession of Federal Reserve notes are often summarily executed.

For and in the absence of the Military Attache:

David D. Barrett
Major, Infantry
Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

January 9 - February 9, 1939

RECEIVED G/2 W. D. MAR 3 1939

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2. New Governments of China
3. Manchukuo
4. Foreign Policy of Japan in Light of China Incident
5. Political Activities of the Japanese Army in China
6. Japanese Desire for Peace
7. Great Britain
8. Soviet Russia
9. Economic
10. S ituation in the Tientsin Concessions

1. The National Government.

(1) Wang Ching-wei's Move for Peace.

Little has been heard during the period under review of Mr. Wang Ching-wei's move for making peace on the basis of Prince Konoye's terms of December 22nd. While the Japanese press at home and in China, and of course the Japanese-controlled Chinese press, has made some effort to keep Mr. Wang and his move for peace before the public, the attitude of the Chinese Government has been one of almost complete indifference.

Practically all important leaders in China have in one manner or another registered their condemnation of Mr. Wang's bid for peace and reaffirmed their loyalty to the National Government, and it appears that if Mr. Wang's action has aroused any sympathetic response in the hearts of some members of the National Government who would like to see peace on Konoye's terms, the position of such persons is not strong enough at the present time to enable them to declare their sentiments openly.

(2) Plenary S ession of Central Executive Committee.

The 5th Plenary Session of the Central Executive Committee of the Kuomintang Party has been held during the period covered by this report. The exact dates of the session are not known because as little publicity as possible was given to details concerning the time and place of the meetings of the session, presumably because of fear of air raids. Reports indicate, however, that the session opened on or about the 20th of January and adjourned on the 30th, or within a day or so of that date.

From M/A China Report No. 9736 February 9, 1939

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While close secrecy is maintained concerning much of the business transacted at the session, it is definitely known that one of the important actions was the rejection of a proposal that Communists be admitted to membership in the Kuomintang Party. According to Reuter's report, the proposal was rejected on the grounds that double membership within the Kuomintang Party might retard the work of revolution due to differences of opinion. The session did announce, however, that all Chinese, regardless of political views or affiliations, were welcome to participate in Kuomintang resistance and reconstruction work if they faithfully followed the Three People's Principles. This would appear to be tantamount to a declaration that Communists might join the Kuomintang if they are not really communists and believe in Kuomintang principles.

Another important decision of the Session was that a Supreme Council of National Defense, under the chairmanship of Chiang Kai-shek, shall function during the present hostilities in place of the Central Political Council, which is one of the three highest committees of the Kuomintang Party, the other two being the Central Executive Committee and the Central Supervisory Committee. Hitherto the Central Political Council has acted as a sort of liaison organ between the Party proper and the National Government.

No announcement has as yet emanated from official sources as to who, besides the Generalissimo, will compose the Supreme Council of National Defense. Transocean, Hongkong, on February third stated that it would be composed of General Feng Yu-hsiang and Li Tsung-jen, Dr. H. H. Kung, Dr. Sun Fo, Mr. Chu Cheng, Mr. Yu Yu-jen, and Mr. Tai Chi-tao, but this report has not been confirmed. Domei states that Chu Teh, the Communist leader, has also been appointed to the Council.

At the conclusion of the Plenary Session, a manifesto was issued stating that China supports the policy of the Open Door and of equal opportunity for all nations under the principle of equality. This of course is so much in contrast to recent pronouncements of Japan on the same subject that it appears very much like a direct bid for foreign support.

2. New Governments of China.

(1) The Provisional Government of the Republic of China.

The recent emergence, or at least partial emergence, from retirement of Marshal Wu Pei-fu, supposedly to head a peace movement and possibly to become the head of a new regime for China, has put the activities of the Provisional and Reformed Governments very much in the shade.

It is natural that there should not be very much interest in two regimes which will probably be superseded in the not too distant future by an entirely new government for China.

The third meeting of the United Council of the Republic of China, the body which has been set up to care for the mutual interests of the Provisional and Reformed Governments, opened in Peking on January 24th and adjourned on the 25th. Most of the business of the Council was transacted in informal sessions outside of the regular meetings. The formal transactions of the meeting of the Council included the discussion of postal questions, currency matters, control over cotton and other natural products, conservation and development of national resources, and other matters affecting the two governments, but did not touch upon the formation of a new government for China.

Actually the meeting of the Council formed the background for arranging the details in connection with inviting Marshal Wu Pei-fu to emerge from retirement and head a national peace movement. The Japanese military headquarters in Peking was anxious to appear as inconspicuous as possible in the matter of the emergence from retirement of Wu Pei-fu, hence every effort was made to employ the good offices of members of the Provisional and Reformed Governments to induce the Marshal to declare himself for peace. Actually, according to a foreigner in the employ of the local Japanese military authorities, it was Mr. Wen Tsung-yao, President of the Judicial Yuan of the Reformed Government, who acted as the representative of the Japanese in finally persuading Marshal Wu, "in response to popular demand," to declare himself in favor of peace and to offer, although in no very definite way, to work for the accomplishment of peace.

(2) Recognition of Autonomous Government of Inner Mongolia by Japan.

Reports have been in circulation for some time that the Autonomous Government of Inner Mongolia will not be included among the regimes which will go to form the new government of China, which it is generally assumed will be federated in form. The principal reason why Japan might wish to see Mongolia remain outside of the federated state, if and when it is formed, is that because of its situation immediately adjacent to the Soviet territory of Outer Mongolia, it might be considered desirable to keep Inner Mongolia under the direct control of Japan.

An indication of the trend of public opinion in Japan concerning Mongolia is seen in the action of Mr. Koku Kawasaki, a member of the Minseito Party in the Lower House of the Diet, on January 25th in urging the immediate recognition of the new state. Mr. Kawasake declared that conditions in the Mongolian Federated State are different

from those prevailing in the other new regimes in North and Central China, and furthermore because it was the first to raise the anti-Comintern and anti-Chiang Kai-shek banner, it should be recognized at once. Mr. Kawasake also pointed out that as no British or American capital is invested in Mongolia, little conflict with the interests of foreign powers would be involved in its immediate recognition.

The close relations of the Federated Autonomous Government of Inner Mongolia with the Kwantung Army have also given rise to opinions in well informed quarters that this government may never be included in the new regime to be established in China. As the Kwantung Army, which garrisons Manchuria, and is therefore particularly concerned with conditions in areas adjacent thereto, was largely responsible for the formation of the new Mongol State, it would not be at all surprising if the Army would insist on its remaining outside of any new federated government.

3. Manchukuo.

The Japanese Foreign Office announced on January 11th that after April first of this year, around ten consulates and vice-consulates would be closed in Manchukuo. Those to be closed include the Consulates-General at Mukden and Kirin and the consulates at Antung, Chinchow, Jehol, Chifeng, and Yenki. The decision, as explained by the Foreign Office, was due first, to the special relations existing between Japan and Manchukuo, second, to the successful reforms of the administrative and judiciary systems in Manchukuo, and third, to the satisfactory results of Japan's renunciation of extrality in the new State, which was effected in 1937. It is understood, however, that the consulates-general in Hsinking and Harbin, and the vice-consulates in North Manchuria will not only be maintained but expanded.

Actually, the closing of consulates in Manchukuo by Japan does not indicate any relaxation of Japanese control over that country, but just the contrary. There is little use of Japanese consulates in a country where all important officials are either Japanese or are dominated by Japanese advisers. The reason for the expansion of vice-consulates in certain areas, particularly North Manchuria, is the desire to maintain organs which can spy upon and combat the activities of Soviet Russia.

A contribution to what might be called the "Ho Hum Column" is the announcement that the Manchukuo Government, on January 17th, accepted an invitation made formally through the representatives of Japan, Germany, and Italy to adhere to the anti-Comintern Pact.

Hungary formally recognized Manchukuo on January 10th. Reports from pro-Japanese circles in Hsinking state that Albania, Yugo-Slavia, and the "reorganized" Czecho-Slovakia will soon follow the example of Hungary and recognize the new state.

4. Foreign Policy of Japan in Light of China Incident.

As far as is apparent, no change of any importance in Japanese foreign policy has been brought about as the result of the resignation of the Konoye Cabinet and the formation of a new one under Baron Hiranuma. Baron Hiranuma's and Foreign Minister Arita's speeches delivered on the reopening of the Diet on January 21st after the New Year recesses were little more than restatements of the now familiar dictums concerning the China incident, such as that Japan would follow the "immutable policy" as promulgated by the previous Cabinet and sanctioned by the Emperor, that despite military successes Japan's ultimate goal in China was not victory but first and foremost the rehabilitation of the country, and that Japan had no intention of unnecessarily inhibiting the participation of third powers' in the reconstruction of China. Probably for public consumption, Baron Hiranuma sounded a warning note to "those powers who fail to understand to the end and persist even hereafter in their opposition to Japan." Such powers, declared Baron Hiranuma, Japan had no other alternative than to exterminate.

Recent interpellations in the Diet have brought forth some interesting remarks from Cabinet Ministers concerning China and foreign powers. One such declaration was made on January 26th by Mr. Arita, the Foreign Minister, who stated that Japan would recognize new China when a unified central government of China is organized. At the same time, regarding the Nine-Power Treaty, Mr. Arita stated that the pact was out of keeping with the new situation in the Far East, but declined to commit himself as to whether or not the government would denounce it. Also interesting was a statement by General Itagaki, the War Minister, on January 30th that Japanese troops will be stationed in China for a long time, that plans are being drafted to make China pay for the expense of maintaining the troops here, and that any rumors to the effect that troops would be withdrawn from North China in the near future were without foundation.

What may be a possible indication that there is hope that the Japanese people may yet develop a spirit of resistance to the ambitions of the militarists were the interpellations in the Diet on January 31st of Mr. Reikichi Kita, a member of the Minseito Party. Mr. Kita asked the Foreign Minister why the Japanese government had failed to foresee that the China incident would assume its present magnitude, and he also wanted to know why China was anti-Japanese instead of anti-British or anti-American. Mr. Arita's

replies to these questions were non-committal, but the fact that a member of the Diet dared to put such questions seems worthy of note.

Considerable importance in foreign circles is attached to the statement made in the Diet on February first by Foreign Minister Arita to the effect that Japan has no intention of paying indemnities for damages to foreign property suffered as the result of Japanese military operations in China. This statement is of particular significance to the many foreigners whose property was damaged in the fighting in and near Shanghai. The British Government has recently gone to considerable trouble to ascertain the claims of her subjects for indemnification for such damages. Adjusting claims for damages on account of war, or from other causes for that matter, is a long and tedious process, and it seems probable that Japan would fight another war before she would make anything like a full settlement for the losses caused by her army in this one.

Another warning on the subject of airplanes of foreign powers flying over Japanese occupied areas was issued by the Japanese Army and Navy authorities on January 26th. The warning, which was handed to the diplomatic representatives of third powers through the Japanese consul general at Canton, stated that unless full notice were given in advance concerning the time and route of flights of foreign airplanes over Japanese occupied areas in south China, the Japanese could not assume the responsibility for any incidents which might result from failure to give such notice.

Probably in line with this announced policy a British Imperial Airways plane flying near Waichow Island off the coast of Kwangtung on January 31st was fired on by a Japanese warship, but was not hit. The Japanese afterwards stated that a "mystery" plane had been fired on. The mystery would appear to be how any one could fail to recognize the plane as belonging to Imperial Airways.

Rumors which have been circulating for some time that the anti-Comintern pact would be changed into a military alliance were given added impetus by a report on January 29th that six important Japanese ambassadors to capitals of Europe were meeting in Paris. It was stated semi-officially both in Paris and Tokyo that the meeting was for the purpose of affording Mr. Shiratori, Japanese Ambassador to Rome, who recently arrived there from Japan, an opportunity to inform his colleagues concerning recent developments in Japan, but the rumors concerning the strengthening of the anti-Comintern pact will probably die hard.

According to the Italian Consul in Hankow, now in Peking on a vacation, the Japanese policy there appears simply to make life so unhappy for foreigners that they will

leave the port. Because of curfew restrictions, so states the gentleman, it is almost impossible to pass the streets at night, for even bearers of passes are subject to such tiresome and annoying examination by sentries that the average foreigner prefers not to go out in the evening if it can be avoided.

The foreign consular body in Hankow has recently been considerably disturbed over an announcement issued by the Japanese authorities that after February 10th all foreigners must carry passes and be subject to strict examination by Japanese sentries. The announcement further states that the Japanese refuse to assume responsibility for any incidents arising from failure to carry out these instructions. Foreigners in Hankow are also disturbed over intimations that the practice now enforced in some other parts of China of compelling foreigners to doff their hats to sentries may be put into effect in Hankow. The Japanese authorities there have recently stated that no such practice will be enforced, but the danger of incidents from misunderstandings on this point is apparent.

5. Political Activities of the Japanese Army in China.

The headquarters of the Special Service Section of the Japanese Army in North China have been closed, and it is stated that the activities of this organ, which were almost entirely political, have been merged into the newly established China Control Board. Thus Major General Kita, who has headed this section in North China, is now more or less out of a job, although he is still in Peking and has an office in Headquarters of the North China Garrison.

Reports have been in circulation for some time that Major General Kita and Lieutenant General Doihara, the latter now in charge of political activities for the Japanese Army throughout China, have long been bitter rivals and have been especially at loggerheads over matters in connection with the establishment of a new Japanese-dictated regime for North China. At the present moment, General Doihara appears to have a definite edge over General Kita, but according to reports from sources close to the Japanese, this does not mean that Doihara now has a free hand in the political field. General Sugiyama, Commanding the Japanese Forces in North China, is said to have very definite ideas of his own about political activities, particularly concerning the plans for the new government, and in these he often does not see eye to eye with Doihara.

Generally speaking, General Sugiyama seems to stand much better in local Japanese military and civilian circles than did his predecessor General Terauchi. General Sugiyama gives the impression of a rough, hard-bitten

soldier, but withal a square shooter and a man of rather pleasing personality. If General Sugiyama is particularly anti-foreign, he gives no indication of it in his manner.

At present writing, Lieut. General Doihara is reported to be in Hankow, making preparations for establishing the headquarters of the Pacification Commission at the head of which Marshal Wu Pei-fu, so say the Japanese, will lead a peace movement in China.

6. Japanese Desire for Peace.

From the tone of the Japanese press, and the Japanese-controlled foreign and vernacular press in Peking, which prints only such material as is authorized by the Japanese military authorities, the Japanese Government and Japanese Army would both like very much to see peace concluded with China. The enunciation of the Konoye peace terms, the emphasis laid upon Mr. Wang Ching-wei's peace proposals, and the recent efforts to enlist Wu Pei-fu's services as a leader for peace are indisputable evidence of this desire. Even pro-Japanese foreigners have admitted of late that the Japanese agitation for peace is becoming almost hysterical.

What is behind this ardent desire for peace is difficult to see. Certainly there is nothing in the military situation to alarm Japan, and while the economic burden of financing the war is undoubtedly becoming more of a strain all the time, there is no reason to believe that Japan is in any danger at all of cracking under it. For these reasons the opinion has been expressed in well informed quarters that Japan fears a possible rapprochement between Germany and Russia which would free Russia from fear of an attack in her rear in case of war with Japan, while Germany would be guaranteed a free hand in Europe as far as Russia is concerned. Captain Sutherland recently reported hearing a rumor of a German-Soviet non-aggression pact from a reliable German source in Chungking.

Until a definite indication to this effect appears, however, this office believes that there is little likelihood of Germany and Russia agreeing on any sort of non-aggression pact. Hence Japan's eagerness to see the war ended is attributed to anxiety on the part of military and financial leaders that it drag on to a point where Japan's ability to fight Russia will be seriously affected.

Although Japan is anxious for peace, there is no evidence that she is willing to offer any concessions to secure it. The Konoye terms, which as pointed out in our last Comments are nothing but a demand for unconditional surrender, still stand as Japan's only peace offer, except the one made in December 1937 to Chiang Kai-shek through the German Ambassador. Just what were the terms of this offer is not known. Mr. Arita, the Japanese Foreign Minister,

recently stated in the Diet that even he did not know what they were.

Hence as far as her desire for peace is concerned, Japan wants to eat her cake and have it too, and as long as she maintains this attitude, there is no reason to believe that Chiang Kai-shek will surrender, at least not until he is in a much worse situation than he now finds himself. Thus it seems unlikely that Japan's agitation for peace will have any results unless she is willing to offer some concessions or is willing to put forth the necessary military effort to beat Chiang Kai-shek to his knees. Whether or not the Japanese Army is capable of doing this is a question which only the future can decide - and the prospects of an early decision seem very poor.

7. Great Britain.

(1) Another British Loan Rumored.

Rumors have been rife for some time in Chungking and London that Great Britain is contemplating a loan to China for the purpose of helping to stabilize the Chinese currency. London reports state that the cause of those who advocate such a loan has been strengthened by the excellent manner in which the Chinese currency has been managed for the past six months. Reuter, however, under date of February third, reported that no definite decision on the subject of a loan for China could be expected for some time. With typical British caution, Reuter also stated that such a loan would be contingent upon the resumption of service by the Chinese National Government on the loans secured on the Customs revenue, which service was recently suspended by China on the grounds that Japanese detention of customs receipts earmarked for loan service made it impossible to continue payments any longer.

(2) Detention of British Ship.

The British freighter, "St. Vincent de Paul", while unloading cargo near Haichow, Kiangsu, on January 26th was compelled by a Japanese destroyer to proceed to Tsingtao, where she was detained on the charge of having carried munitions for Chinese guerrillas. On January 30th the British cruiser "Birmingham" from Weihaiwei proceeded to Tsingtao and escorted the merchant vessel out of the harbor. A protest concerning the detention of the vessel has since been registered with the Japanese authorities, but as far as is known no attempt was made to negotiate for the release of the vessel - the cruiser simply went into Tsingtao harbor and escorted it away, with which action the Japanese made no attempt to interfere.

Two Norwegian vessels were detained at the same time as the "St. Vincent de Paul," and were released after that ship had been taken away by the British cruiser. In the past few days a small coasting steamer owned by a Hungarian has

been seized by the Japanese and representations by the Dutch Consul General in Shanghai, who represents Hungarian interests, have as yet been unable to effect its release.

8. Soviet Russia.

No noticeable change, either for the worse or the better, has been apparent in Japanese-Soviet relations during the period under review. Both Soviet and Manchukuo have protested over an alleged violation of their territory on January 31st, each side claiming that soldiers of the other had crossed the border and fired on guards at a point about one hundred kilometers northeast of Manchuli. It is significant, however, that General Itagaki, the Japanese Minister of War, stated in the Diet on February second that Soviet violations of the border were generally accidental rather than "international" in character. General Itagaki also stated that although the Soviets were considerably increasing their forces behind the border, conditions in border areas were generally good.

Recent Hsinking reports claim that the Soviets have recently concentrated "huge numbers" of troops in and near Omsk, on the trans-Siberian Railway. Foreign travelers who have recently crossed Siberia claim to have seen "hundreds of troop trains" moving east toward the Soviet-Manchukuo border, but reports of this kind have been heard so frequently in the past without anything ever having come of them that this office is inclined to give them little attention.

The fishery negotiations seem to be getting nowhere fast, but here again the attitude of the Japanese appears conciliatory. Both press reports and official statements in the Diet have declared that Japan expects the Soviet Government ultimately to make concessions on the fisheries question. Mr. Arita stated in the Diet on February 2nd that he believed Moscow had no intention of repudiating the Japanese fishery rights secured under the Portsmouth Treaty of 1905 and that Japan was continuing negotiations in the conviction that the Soviet Government will eventually accede to Japanese requests. If he was quoted correctly Mr. Arita said "requests", not "demands."

Most observers feel sure that a compromise will be reached on the fishery question with Russia forced to modify her present uncompromising stand, but it is also felt that if Japan is compelled to content herself with less than the forty fishing lots which she now desires, it will be a distinct victory for the Soviets.

Reports which can not be confirmed have it that the Chief of Staff of the Kwantung Army recently stated

in Mukden that Russia is in no condition at the present time to make war upon Japan - but he admitted in the same breath that Japan is just about as badly off. Whether this report is true or not, the opinion allegedly expressed by this Japanese officer is held by many observers of the situation in Asia.

9. Economic.

(1) China Suspends Payment on Loans Secured on Customs.

It was announced by the Ministry of Finance in Chungking on January 16th that the Chinese Government would discontinue payments on loans secured on the revenue of the Chinese Customs, for the reason that since the Japanese in occupied areas are withholding revenues pledged for debt service, the National Government feels it should no longer be required to meet the service on the loans. According to the statement of the Ministry of Finance, the Chinese government has advanced around Yuan 175,000,000 to make up amounts for debt service which should have been remitted from occupied territory, and it is considered that the government can not in fairness be expected to continue making up these amounts.

The announcement caused Chinese bonds to fall sharply on the London market, but after a few days the bonds rallied again and have since maintained a firm position.

Reports from London state that while there is little disposition in financial circles to blame China for discontinuing service on the loans, it is felt that for the sake of her international credit standing, China should accept the terms of the Anglo- Japanese Customs Agreement of May 3, 1938. In accordance with this agreement, if China would pay US$1,500,000 which is due each month to Japan for the Boxer Indemnity and would give up Yuan 25,000,000 in customs receipts which was in the Hongkong Shanghai Bank before the war broke out, she would receive from Japan around $50,000,000 in customs revenue earmarked for loan service. China has as yet not consented to accept the terms of this agreement.

Reports from London indicate that considerable pressure will probably be brought upon China to find a modus vivendi by which payments on the customs loans can be continued. A hint to this effect has been noted above in referring to Reuter's opinion that a British loan to China for the support of the national currency would be contingent upon continuance of the service on these loans.

(2) Currency Situation.

As yet there has been no indication that the Japanese intend to recede from the stand taken in previous announcements that issues of Chinese national banks now in

circulation in North China at a nominal discount of ten per cent will be devaluated an additional thirty per cent on February 20th and will be banned altogether on March 10th. The opinion prevails in some quarters, however, that before the dead line is reached final banning of the notes will be postponed, probably on humanitarian grounds.

Reports from Chefoo and Weihaiwei state that the exchange restrictions now in effect in Tsingtao - namely that all exchange transactions must be carried out through the Yokohama Specie Bank at the fixed rates prevailing n in Japan and Manchukuo, went into effect in those two ports on January 15th. "Naval necessity" is stated as the reason for this action. It is the general opinion that the Japanese would like to apply similar restrictions on exchange transactions throughout North China, but hesitate to attempt to do so at present.

In any event there will soon be a show-down on the matter of the exchange business in North China, unless the Japanese are willing to lose some face by allowing issues of the Chinese banks to remain in circulation.

10. Situation in the Tientsin Concessions.

The Japanese have continued their recently instituted measures to control the passage of persons and vehicles in and out of the French and British Concessions in Tientsin, but as residents of these areas have largely adjusted themselves to the situation, the blockade has apparently caused no serious inconvenience of late.

This office has learned from official circles that the nine "political prisoners", as the Chinese wanted by the Japanese military authorities for alleged guerrilla activities in Tientsin are called, are still being held in the British Concession and the British Foreign Office has directed that they are not to be turned over to the Japanese without express permission. The Japanese are known to be still pressing urgently for the delivery of these prisoners to their control.

An officer of the British North China Command and a high official of the British Concession in Tientsin informed this office on February 7th that rumors were rife that steps would be taken by the Japanese to secure a definite measure of control over the British and French Concessions on or before March first. Just what form this action, if it comes, will take is difficult to predict but the sources referred to expected it will probably be in the form of a blockade much more complete than has yet been put into effect. A probable intimation of the Japanese intentions in this respect is the report that the East Station will shortly be reserved for the exclusive use of the Japanese military.

In spite of the apprehension on the part of the British officials that the situation in Tientsin may shortly take a turn for the worse, it has just been announced that all restrictions on passage in and out of the concessions were relaxed on February 8th. Local British military circles feel, however, that this may be only a breathing spell before the Japanese again take action against the concessions.

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February 9 - March 9, 1939

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8. The Federal Reserve Bank

1. Situation in Shanghai.

The International Settlement of Shanghai (including the French Concession) has been the focal point of international political apprehension during the past month, and while the situation has been considerably eased as a result of negotiations between the Shanghai Municipal Council and the Japanese authorities, it is still a potential tinder box. Trouble began in a small way on February 6th when Japanese residents in Hongkew protested that the police in the French Concession were refusing to recognize the passes of their chauffeurs, and that dealers were refusing to sell them gasoline. On the same day a Mr. Chien Hwa, head of the Japanese controlled Chinese press censorship bureau, was attacked while on the way to his office and later died.

On the 7th, Mr. Chow Chi-tang and Mr. Koo Ping-tsung, both officials of the Nanking Reformed Government, were fatally shot in the International Settlement. The next day the "opposition" got in it's innings in the form of a letter to an American radio broadcaster named C. F. Alcott, which stated that Mr. Alcott himself and ten or more others were slated to be removed for "telling lies." Since the list included Agnes Smedley (Chinese communist sympathizer), Edgar Snow (Red Star Over China), J. B. Powell (China Weekly Review), and A. Vespa (Secret Agent of Japan), it is obvious that the letter was sent by Japanese or pro-Japanese Chinese, but the executions have not been carried out.

Two more subsidized Chinese, a judge and a policeman, were shot in the French Concession on the 16th, and the press stated that the number of political assassinations since the Japanese occupation now totalled over fifty. The crisis was reached on February 20th with the assassination (in his home in Japanese controlled territory) of Mr. Chen Lu, Foreign Minister of the Nanking Reformed Government. Mr. Chen Lu was a retired Chinese diplomat of note, and by

far the most important individual to receive the attention of the assassins. His death is an indication of the manner in which the Chinese can discourage participation by their own nationals in the puppet governments set up by the Japanese. All such Chinese officials will have to be more heavily guarded, and if these tactics are continued it will, conceivably, soon be impossible to induce any Chinese to accept office.

The Japanese authorities became so worried that they asked for instructions from Tokyo, stating that the French Concession and Settlement authorities "lacked sincerity" in that the assassins were hiding in these areas and that no arrests were made after repeated Japanese requests. In the meantime negotiations were going on between the Shanghai Settlement and local Japanese authorities, but the former stoutly maintained that nothing could be done until the many Japanese sponsored gambling and opium dens were cleaned up, since these places were breeding spots for criminals of all types.

Tokyo acted promptly. After a conference between the Premier, Foreign, War, and Navy Ministers, instructions were cabled to Shanghai to notify the Shanghai Municipal Council that if adequate terroristic prevention measures were not immediately forthcoming, the Japanese armed forces would barricade the whole Settlement and police the area themselves. Feeling that the Japanese meant business, the Council became a little more conciliatory, and after more negotiations an agreement was reached whereby:

(1) Japanese gendarmes in civilian clothes will be detailed to all police outposts in the Settlement as well as to the Municipal Council. They will patrol streets and gather information regarding terrorist activities.

(2) Chinese and luggage brought by them into the Settlement by way of Soochow Creek and the Whangpoo will be searched by Japanese as well as Settlement police.

(3) Whenever the Japanese demand it, the authorities of the Municipal Council will enforce a temporary search of all pedestrians.

(4) A special section containing Japanese members will be established within the Municipal Council.

(5) The Japanese shall be allowed to give proper guidance and supervision to the Chinese police of the Council.

(6) The Japanese shall be allowed to examine any criminal or suspect arrested by either Japanese or Council police.

During all this unrest in Shanghai, Chungking has been notably silent, although Chiang Kai-shek answered a telegraphic protest by saying that since the Japanese were using the International Settlement as a base of operations

against the Chinese Government, he was certainly not going to attempt to curb the actions of Chinese "patriots" also working in the Settlement.

2. Marshal Wu Pei-fu.

In seeking for a national figure to head one of their sponsored organizations, the Japanese could not pick a better man than the esteemed retired general, Wu Pei-fu. For some time it has been rumored that he would emerge from retirement and personally head the Kaifeng Pacification Commission, but on the day of his first public address both the Japanese sponsors and the foreign correspondents were disappointed that the Marshal did not speak for himself, and it was believed that the translator misconstrued his statements. The Commission which he was to head has been established and the Japanese press has reported that Chinese commanders have surrendered to the Japanese to join Wu's Pacification banner, but the Marshal is actually still in Peking and it is the opinion of this office that Wu Pei-fu has accepted neither money nor promises, and that he will continue to maintain his loyalty to the Chungking Government.

3. Bandits.

On Sunday, January 8th, Mr. Frank Poletti, an Italian citizen and longtime Peking Postal Commissioner, was kidnapped while visiting the Ming Tombs with a Russian companion and three Chinese servants. The Tombs are approximately twenty-five miles north of Peking. After two days the Russian and two servants returned to Peking with a ransom note demanding $100,000. Negotiations were carried on with the kidnappers by Mrs. Poletti through the Italian Embassy, and the local Japanese military was asked to refrain from action in that it might result in the death of Poletti. After two weeks the sum was reduced to $10,000, but the bandits insisted that it be paid in Chinese National currency and not in the puppet government's Federal Reserve notes.

The money was sent to them and for a long time there was silence, with rumors to the effect that the bandits were patriotic Chinese and would not release Poletti until permission had been granted from Chungking. Finally, however, Poletti returned to Peking on February 17th, not much the worse for wear but with lurid tales of the depredations and atrocities of his captors. The unusual fact in this bandit story, however, is that he brought all the ransom money back with him, and the reason for this has never been solved.

4. General Kita Returns from Tokyo.

Major General Kita, the former head of the Special Affairs Section of the North China Garrison, recently returned to Peking from Tokyo where he went early in February after the section he headed had been disbanded. It is

reported that General Kita will head the Peking office of the new Asia Affairs Board, political organs to be established in the principal cities of the occupied territory.

Mr. Wang Ke-min, head of the Provisional Government in Peking, recently told a foreign friend that General Kita had been to Tokyo to confer about the situation in China, and that he (General Kita) had stated:

1. The Japanese intended to use Wang Ching-wei as the head of a new Kuomintang Government at Nanking and that any of the old Kuomintang officials would be welcomed in the new government.

2. This new Nanking government was to be advertised as the Chinese National Government.

3. The Japanese expect, in two or three months, to get the approval of the United States and Great Britain for this, and then the Japanese troops in south and central China will be gradually withdrawn.

4. North China is to be "reserved for economic co-operation" and a Japanese garrison will be maintained there.

How the Japanese expect to get approval from Britain and the United States is not known. It amounts, of course, to Japanese annexation of North China and control of the rest of the country through a subservient government at Nanking, with the "blessing" of Great Britain and the United States to regularize the whole proceeding. No doubt the Japanese would welcome such a way out of their difficulties, and the mere fact that it is being considered shows only too plainly the state of mind they are in at present.

5. Occupation of Hainan Island.

With the occupation of Hainan Island by the Japanese in February, the Chinese Government made another definite plea for third power intervention. In a press conference Chiang Kai-shek maintained that the occupation was a direct threat to the French Asiatic Colonies, as well as a threat to Guam, the Philippines, Hongkong, Singapore, and the Dutch East Indies. This is a rather large order and has not been given much credence in local circles, but the Japanese were quick to maintain that they had in no way violated former international agreements and that there was no proof that they intended to occupy the island permanently.

There can be no doubt that the Japanese have had in mind the investment of this island for some time and were only waiting for a suitable opportunity from an international standpoint. The resultant weak enquiries from France and Great Britain show that the time they picked for the landing was entirely propitious. While there is no way of telling

how long the occupation will last after hostilities are over, in the opinion of this office it was dictated primarily by strategic reasons, and only secondarily to tighten the blockade or provide a base for operations against southwest China.

6. Central Government.

During the period under review foreign observers have been considerably interested in persistent rumors that the Communists form the mainstay of the Central Government, and that the Government would be reorganized before the convocation of the Fifth Plenary Session in order to allow Communist leaders to participate, but this change does not seem to have taken place. Government sources state that the only Communist leader in the Government is Chou En-lai, Vice-Chairman of the Political Affairs Section of the National Military Defense Council, of which the Chairman, General Chen Cheng, is a trusted friend of Chiang Kai-shek. The leader of the Communist Party, Mr. Mao Tze-tung, is still reported to be in Yenan, in north Shensi, while General Chu Teh is commanding the 8th Route Army in Shansi and Hopei provinces under the direction of the Generalissimo.

While there are, in Chungking, communist delegates to the National People's Congress, they are not believed to hold posts in the government, and since the Kuomintang rejected the proposal to allow communists to join that body, it is believed that the reported influence of the Communists has been exaggerated.

7. Hankow and Tientsin Concessions.

The situation in Hankow was eased considerably on February 12th when two gates to the French Concession were opened, but for the next two days the French authorities forbade entrance to unarmed but uniformed Japanese soldiers. On the morning of the 14th, when the gates were opened at 7:00 a.m., Japanese sentries stopped people from entering, so the French promptly closed the gates again at 7:30. The reason for this action on the part of the Japanese was unknown to the French but Japanese sources stated it was because of the "insult" to the Japanese uniform in not allowing uniformed soldiers to pass.

In Tientsin, the tension which had been eased with the cessation on February 15th by the Japanese of searching all people entering or leaving the British and French Concessions, was again heightened on February 25th when additional barbed wire and high tension barricades were erected. A bridge was also begun which will connect the Italian and Japanese Concessions and thus the French and British could be cut off completely. This bridge will be completed about the end of March.

Enquiries brought forth the answer that it was merely a precautionary measure against anti-Japanese elements, but there have been rumors for some time that on or about March 10th the Japanese will again institute an embargo on the Concessions which will be even more severe than the last. It is also believed that the recent actions in Tientsin and Hankow were in the nature of additional pressure to force the Municipal Council in Shanghai to accede to the Japanese demands to put a stop to the local terrorists.

8. <u>The Federal Reserve Bank</u>.

On March 3rd the authorities of the Provisional Government issued a Customs notification to the effect that after March 10th validated certificates for the sale of exchange by the Federal Reserve Bank of China will be required for the export of certain specified goods from North China to foreign countries and other parts of China. The notification went on to state that since the use of the old Chinese notes is to be prohibited after March 10th, this new act will help to stabilize the Federal Reserve money and thus give the people of North China a sound currency. It was hoped that the Federal Reserve yuan would be pegged at 1s/2d., or about $3.65 for one U.S. dollar.

If this comes about the people of North China will certainly have a sound and stable currency (in the localities where Federal Reserve is used), but this office does not see how the local authorities can force the financial circles of New York and London to become reconciled to the sudden appreciation of a currency which, to date, is backed by nothing except a reported credit of ¥100,000,000 loaned by fifteen Japanese banks, and with which, to date, no foreign exchange can be purchased. It is possible that some Chinese and foreign merchants in North China may be forced to buy the exchange in order to export goods upon which their living depends, but it is more probable that most foreign trade will stop.

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COMMENTS ON CURRENT EVENTS

March 10 - April 6, 1939

RECEIVED G-2 W. D. MAY 4- 1939

1. Inauguration of China Affairs Board
2. Wang Ching-wei
3. Meeting of Provisional and Reformed Governments in Nanking
4. Situation in Shanghai
5. Communications in Occupied Territory
6. Situation in Tientsin
7. Federal Reserve Bank
8. Miscellaneous:
   a. British loan
   b. Fishing agreement

1. Inauguration of China Affairs Board.

The much heralded establishment of the China Affairs Board actually came to pass about March 11th, when the Tokyo Cabinet approved a draft concerning the establishment of certain "liaison offices" in the cities of Peking, Kalgan, Tsingtao, Shanghai, and Amoy. The director of the Peking liaison office is Lieut. General Kita (former head of the North China Special Service Section), and his assistant is Major General Nemoto, who is concurrently director of the administrative section which, in turn, is divided into an economic and cultural bureau.

According to the press, the functions of the three departments are as follows: Administrative, to confer with the Provisional Government on political policies and important administrative affairs and decide on interdepartmental affairs; Economic, to control all communications, financial affairs, trade and development of agriculture; Cultural, concerned with education, culture, health and sanitation.

The heads of these liaison offices are all to be army or navy officers and from the above it will be seen that this merely constitutes a rebirth of the Special Service Section under a civil name but with actually greater powers than when the section was disbanded on the first of February. This has been admitted by a Japanese connected with General Sugiyama's headquarters.

2. Wang Ching-wei.

On the afternoon of March 21st the residence of Mr. Wang Ching-wei, former official of the Kuomintang who has been residing in Hanoi, was broken into and Wang was assaulted by four Chinese gunmen, but escaped injury. His secretary, Mr. Tseng Chung-ming, was, however, severely

wounded and died the same day. Since the attack on his life Wang has been in hiding but he has given statements to the press which have attracted wide attention. The attack on Wang has been attributed to the National Government, which has been reputedly urging him to take a long trip abroad and which he has steadfastly refused to do, saying his intentions are to remain where he is that he may better serve China.

There appeared in the press on March 28th another lengthy statement by Mr. Wang addressed to the Chinese nation, excerpts of which follow:

> "Early in December 1937, before the fall of Nanking, I acted as interpreter for the German Ambassador, Dr. Trautmann, in his conversation with General Chiang Kai-shek at Nanking. The Ambassador had been requested by his Government to convey to the Chinese Government the terms for the cessation of hostilities as given to the German Ambassador in Tokyo by the Japanese Government... ... ... Dr. Trautmann said that China had proven her ability to resist and that if the war continued future terms would naturally be much harsher. General Chiang agreed to these terms as a basis for negotiation and asked Dr. Trautmann to continue as mediator.
>
> "If General Chiang agreed to these terms, why did he subsequently refuse the terms of Prince Konoye (December 22, 1937, which were much less harsh?....
>
> "A nation fights when it is forced to, and it considers peace when it is desirable....
>
> "A nation should fight for its independence, not for effecting internal unity....
>
> "Even the Communists will have no chance to disturb China even though she now sued for peace. In peace or war the Communists stand for strife and disturbance....
>
> "If, side by side with international intervention, the Chungking Government is trying to negotiate with Japan, I shall indeed be ready to extend what help I can for the national cause of China."

Statements such as these lead one to believe that Mr. Wang is certainly in sympathy with the Japanese terms, if he has not actually "sold out." This opinion is augmented by the persistent rumors that since the venerable Marshal Wu Pei-fu turned out to be such a disappointment to the Japanese, Wang Ching-wei would be the logical man to head a puppet Chinese state comprised of the present Provisional and Reformed Governments.

3. Meeting of Provisional and Reformed Governments in Nanking.

The fourth session of the Grand Council of the Republic of China was held in Nanking on the 29th and 30th of March, with Mr. Wang Keh-min representing the Provisional and Mr. Liang Hung-chih the Reformed Government. The six point policy decided upon could leave nothing desired in the eyes of their Japanese masters. The points, in brief, were as follows:

1. The new regimes in China shall, with the co-operation of the friendly powers, push ahead the peace movement for the national salvation of China.
2. All organizations available will be mobilized to inculcate among the people the desire for peace and the recognition of the necessity of guarding against the evils of Communism.
3. The new regimes stand against foreign powers extending assistance to the Chiang Kai-shek regime.
4. The new regimes shall urge Chinese abroad to unite for the national cause, against the Chung-king Government.
5. The Grand Council of the Republic of China shall issue a joint manifesto upholding the cause of peace.
6. A statement shall be issued denouncing Britain's extension of loan credit to the Chiang Kai-shek regime.

All the points above might well have been expected except the last, and a resume of the Council meeting is only herein given to show the great hostility against Great Britain, which is actively increasing at present.

4. Situation in Shanghai.

Since our last report there have been no important assassinations in or out of the International Settlement, though a few Japanese and Chinese have been attacked and one or two killed. Unrest, however, is unabated. On March 14th the Municipal Council flatly denied that Japanese gendarmes would be stationed in Municipal police stations or that Japanese would supervise the training of the Chinese police. On March 12th, local Japanese papers bitterly protested against the flying of Kuomintang flags in the British and French Concessions in honor of the 14th anniversary of the death of Dr. Sun Yat-sen. These flags flew in British controlled territory but the French, sagely enough, made a bid for favor by not allowing them to be flown in the French Concession. Japanese circles were quick to express satisfaction.

The temperature of anti-foreign feeling in Shanghai seems to rise and fall with the European situation. At the height of the Czech dissolution, Japanese and puppet Chinese papers were loud in their cries to end the "Shanghai Terror" once and for all and take over the entire Settlement, but at present their protests are much milder, except for the continued animosity toward the British.

5. Communications in Occupied Territory.

Within the last few months land and air communications in North China have been extended considerably. In spite of the guerrilla operations in Hopei, Shantung, and Kiangsu Provinces, the Tientsin-Pukow railroad has again opened for through traffic, the first train southbound leaving Tientsin on April first. Other lines in regular operation are the Peking-Shanhaikuan, the Kin-Han (from Peking to Changte in Honan Province), and the Lunghai (between Hsuchow and Kaifeng).

A regular bus service extends between Peking and Kupeikow to the north as well as to Tientsin. This service is reported to be extending as far south as Tsinan in Shantung. An aerial passenger service between Peking and Shanghai was inaugurated March 14th, using Lockheed planes. The trip takes six hours and the fare is one hundred and seventy dollars local currency (about $29.00 USC).

6. Situation in Tientsin.

At the time of our last report, the British and French authorities in Tientsin were in the act of protesting to the Japanese about the erection of wire barricades around their Concessions, and in spite of assurances on the part of the Japanese that it was merely a precautionary measure, the wire is still intact. While the searching of pedestrians has stopped and through traffic is allowed, the two Concessions are completely blockaded and could be very easily isolated.

On March 17th Mr. H. E. Dyott, who is Chairman of the British Chamber of Commerce, was forced from his home in the Japanese controlled area and kidnapped by three armed Chinese. The car into which they forced Mr. Dyott had gone barely around the corner when it broke down and after tinkering with it awhile, the kidnappers borrowed a garage car at the point of a gun and went merrily down the Tientsin-Tangku highway. While they were trying to start the stalled car they were in plain sight of a Chinese policeman and several interested spectators who failed to interfere. As soon as the kidnapping was reported to the British authorities by Mrs. Dyott, who was a witness, the Japanese were notified.

They said they had heard of it and that a car had been dispatched to effect a rescue. Major Delamain, the adjutant of the British forces, who is also a Japanese language student, went at once to General Homma's headquarters and was given a truck and armed escort to continue the search.

According to Major Delamain's confidential testimony, the truck was not allowed to start until Major Ota of the Japanese Military Police appeared to accompany them. Major Ota was unavoidably detained an hour in which he had to change his clothes. He told this in front of General Homma. By this time a report had come in that the car had been seen passing a small village on the Tangku road and had been ordered to stop but had not done so, and the corporal in charge, seeing a foreigner in the car, had not fired but had phoned to the next station to have the car stopped.

When the truck reached the village in question, Major Delamain states that the Japanese sentry at the barrier, not recognizing Major Ota in his civilian clothes, refused him passage until two of their armed escort convinced him the major was actually a Japanese officer. Questioning being fruitless, they then proceeded to the next barrier, where the soldiers on duty emphatically denied seeing any such car pass. It later transpired that the car was actually detained for over an hour at the first barrier and then allowed to pass after the corporal in charge had phoned his superior officer. The corporal said he could not hear very well as the connection was bad (maybe someone was listening in) but he thought he was told to allow the car to pass since there was a foreigner in it. When Major Delamain heard this he asked why the first pursuit car had not caught up with the kidnappers and was told that unfortunately it developed a puncture.

Major Delamain, being handicapped in every way, finally returned to Tientsin, whereupon the British notified the Japanese that the responsibility was entirely theirs. Some days later rumor had it that a two million dollar ransom had been asked but this was unconfirmed. The Japanese military headquarters announced to the press that they had nothing to do with the abduction and that they were doing everything in their power to effect the safe return of Mr. Dyott, and sure enough, on April third he was returned to his home. The full story has not been ascertained as yet and any pertinent details will be reported next month.

The Dyott affair naturally caused considerable apprehension among the foreigners in Tientsin and many have left their homes in other areas and moved into hotels in the British and French Concessions.

7. Federal Reserve Bank.

On March 11th the ban on old (Chinese Nationalist) legal tender notes went into effect with a theoretical bang. The first, and natural, reaction was a protest by the British and American Ambassadors in Tokyo to the effect that the new restrictions on buying foreign exchange through the Federal Reserve Bank would greatly hamper British and American trade in China. The Japanese Government promptly rejected these protests, stating, in part, that Japan was not in a position to receive protests from foreign powers for acts which the Provisional Government of China does under its own discretion, and reminding them that Japan too is subject to the same procedure of trade with North China. This is reminiscent of the days when Soviet Russia protested to Tokyo over Manchurian border violations and was told to please deal directly with the Imperial State of Manchukuo.

When the ban first went into effect the Provisional Government saw fit to divide North China into two zones, the "Federal Reserve" zones and the "bandit" zones. Actually all North China is one large bandit zone except the occupied areas where the Federal Reserve banks are established, namely: Peking, Tientsin, Tsingtao, Tsinan, Taiyuan, Shihchiachwang, Tangshan, Chefoo, Shanhaikuan, Linfeng and Sinhsiang. People in the Federal Reserve zones caught passing old notes were to be punished and the notes confiscated.

On March 15th the Tientsin branch of the Federal Reserve Bank stated that it had already confirmed three export bills of 7,735 pounds sterling and that everything was running smoothly. By the 26th the same branch stated it had bought about 100,000 pounds worth. In spite of this, and with the British and American banks holding out, it is evident that foreign trade is falling off, but it is too early yet to be able to quote statistics as to just how much.

The old notes are still circulating and particularly in Tientsin they can readily be purchased at the foreign banks for a slightly higher premium than the Federal Reserve notes.

In conclusion it may be fairly said that the Federal Reserve banks are doing as good a foreign exchange business as is possible with the small dealers who must export their products, but it is very unlikely that the main volume will ever pass through their hands.

8. Miscellaneous.

a. British Loan to the Chungking Government.

The proposed loan of five million pounds to China by the British caused a much louder storm of protest from

the Japanese and puppet press than did the American loan of some months ago. Reverberations were heard from Tokyo, Peking, Hsingking, Nanking, and especially from anti-British papers in Shanghai. There is no explanation except that at present Great Britain is public enemy number one in the eyes of the Japanese and every hint of help to the Chungking Government heightens the feeling.

b. Fishing Agreement.

There was considerable agitation in the local press when the Soviet fishing lots were auctioned off on March 15th without Japanese participation, and much talk of "free" fishing and also of large troop movements to Saghalien and Korea. As near as could be ascertained, however, the troop movements were routine and the situation in the press calmed down with the news on April 2nd that a pact had been amicably signed in Moscow.

Joseph W. Stilwell

Joseph W. Stilwell
Colonel, Infantry
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2055-622

COMMENTS ON CURRENT EVENTS

April 6 — May 5, 1939

1. National Government
2. New Puppet Government
3. China Affairs Board
4. Finance
5. Situation in Shanghai
6. Situation in Tientsin
7. Anti-British Feeling

1. National Government.

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Since our last report, no news of any great import has been forthcoming from Chungking. In the eyes of the Nationalist Government, the military situation is progressing satisfactorily and it is emphatically denied that the "April offensive" was a "dud." The continued story of Mr. Wang Ching-wei consisted, during the past month, of a series of statements by Mr. Wang along former lines, i.e., that he had positively no secret agreement with Japan and that his actions were motivated solely by his desire to help his beloved China. These statements were quickly refuted by statesmen in Chungking, who continued to brand him as a traitor. It was reported that he had been offered a passport and travelling expenses of two hundred thousand dollars to go abroad but that he refused to leave.

Considerable publicity was given to the conversations in Shanghai between the British Ambassadors to Japan and China, and it was reported that on April 17th Chiang Kai-shek flew to Yunnanfu to meet and consult with Sir Archibald Clarke Kerr, the British Ambassador. That the Generalissimo does not envisage an early termination of the military phase of the conflict is evidenced by his taking a leaf from the Japanese book and organizing "Spiritual Mobilization" to prepare the populace for prolonged resistance.

It is the opinion of this office that the position of the Nationalist Government at present is even stronger than it was a month ago, for while there have been no lasting military successes, the change in the trend of financial events (see Item 4) has done much to bolster Chinese morale and at the same time cause considerable worry to the Japanese.

2. New Puppet Government.

The press on April 20th reported festivities in Hankow to celebrate the inauguration of a new municipality comprising the three cities of Hankow, Hanyang, and Wuhan. Mr. Chang Jen-li was elected Mayor and General Ho Pei-jung

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(an adherent of General Wu Pei-fu) is the Chairman. It is expected that after a month or two the Japanese military will relinquish control of this territory to the new municipality, which, with headquarters at Hankow, will be responsible for the administration of the three provinces of Hupeh, Hunan, and Kiangsi.

3. China Affairs Board.

As stated in our last report, the inauguration of the China Affairs Board presaged the continuation of the Japanese Army's Special Service Section under a new, and less militaristic, title. If the various liaison sections fulfil their missions as described by the press, there can be no doubt that the military authorities intend to continue their grip on the administration of the occupied territory. Created in connection with the China Incident, and destined to remain in existence until Japan's ultimate aims have been fulfilled, the business of the Board comprises: (1) political, economic, and cultural problems relating to China, (2) study and investigation of governmental policies to be followed in connection with these problems, (3) supervision of companies established under special laws for the purpose of doing business in China, and (4) maintenance of unity in administrative affairs of government offices connected with China.

The president ex officio is the Premier of Japan and he is assisted by the Foreign, Finance, War, and Navy Ministers. The director is Lieut. General Yanigawa, who is reported to have a staff of fifty officers and sixty clerks. The heads of the various liaison sections (some of whom were mentioned in our last report) are: Peking, Lieut. General Seiichi Kita; Kalgan, Major General Takashi Sakai; Shanghai, Vice Admiral Shizue Tsuda; Amoy, Captain Chuichi Hara, IJN; Tsingtao, Captain Y. Shibata, IJN.

4. Finance.

During the past month the position of Nationalist Chinese currency has strengthened to an extent which should certainly gratify the Chungking Government. In spite of the ban on "old notes" which went into effect on March 11th, the notes are still in circulation in the British and French Concessions in Tientsin and on May 2nd, in order to purchase old notes with Federal Reserve money, the latter currency was discounted thirty-four per cent. Undoubtedly this was partly due to the British loan to the Central Government.

Federal Reserve currency, on the other hand, has slipped during the past month from six to about eight to one as against the U.S. dollar, and many business houses in Peking are requesting that their bills be paid either in

old notes, gold, or pounds sterling. On April 9th a report from Chungking stated that, since the beginning of hostilities, the Chinese Government had paid out almost two hundred million dollars for the service of foreign loans and three hundred and thirty million for domestic loans, approximately one hundred and fifty million dollars gold. To offset this the Federal Reserve Bank published figures on April 16th which showed their total issue to date to be one hundred sixty two million, with assets of two hundred and ninety-nine million. Profit for the year was stated to be four hundred thousand dollars.

On April 30th it was announced in Shanghai that a new bank was to be established on May 15th called the Central China Commercial Development Bank, with a capital of fifty million yen to be subscribed equally by the Nanking Reformed Government and Japanese banking corporations. This bank is authorized to issue notes which will be on a par with those now issued by the Central Government, which merely means another form of Japanese competition. It is too early yet to predict just what effect this Central China currency will have on the North China Federal Reserve, nor is it clear just how the cross rate between the two currencies will be established to avoid speculation, for if the new Shanghai bank is actually backed by a reserve which will keep it on a par with the Nationalist currency it will be worth considerably more than the Federal Reserve which is backed only by paper credit from Japanese banks.

In spite of a general impression that Federal Reserve currency will not last much longer, it is the opinion of this office that the Japanese will not allow it to be repudiated unless the Japanese yen itself is considerably devaluated. They have too large an investment in the occupied areas to allow this to happen and it is believed that, in a pinch, they will first force the Japanese banks to back the Federal Reserve currency with an actual reserve of gold or silver.

5. Situation in Shanghai.

During the period under review, Shanghai continued to be the scene of acts of violence, resulting in an ever increasing series of demands and counter-demands. On April 11th Dr. S. T. Shih, a minor official of the Reformed Government, was shot and killed while walking with his wife in the International Settlement. The Japanese took a very serious view of the affair, especially since the shooting occurred only a few weeks after the assassination of Mr. Chen Lu. Colonel Mabuchi, head of the press section of the Shanghai garrison, issued a statement alleging anti-Japanese publications in Shanghai had instigated the latest incident.

Protests were received by the Municipal Council from the Japanese Consul General, and the Japanese papers increased their attacks on the Settlement in general. On April 17th leaflets were distributed in Shanghai urging a boycott of Britain and France. These leaflets were said to come from the Chinese Communist Party, whose spokesman, however, categorically denied any connection with them and said it was only too obvious that they had been distributed by a certain element with the intention of harming the existing relations between the Kuomintang and the Communist Party.

On April 18th, a Japanese woman who had been married for over thirty years to a British subject, was manhandled by Japanese sentries on the Garden Bridge. They claimed she did not bow to the sentry and she said she was not a Japanese subject, whereupon they slapped her and remarked, "You think you are now superior to the Japanese, being married to an Englishman does not make you God." Also on April 18th a junior official of the Nanking regime named Wang Hsien-ming was assassinated in the French Concession, and a Mr. Chao Kao-tsung was shot to death on a road in the Settlement.

The next day, Mr. Yang Chi-kan, a director of the tax bureau of the Reformed Government, was attacked in his home and seriously wounded. More protests followed. Then for a few days the assassinations stopped which gave the authorities a breathing spell during which they were confronted with the "battle of the flags." This was brought about by protests from the Japanese against allowing Chinese in the Settlement and French Concession to fly the Kuomintang flag. The French banned the flags, whereupon a number of Chinese shopkeepers went on strike and refused to open their shops, but they finally gave in. On May first an agreement was reached with the French authorities whereby a display of Chinese National flags would be permitted on eight Chinese national holidays, including the anniversaries of Dr. Sun Yat-sen's death, the establishment of the National Government, and the establishment of the Republic.

The latest incident of import occurred on April 24th, when Dr. B. Lillie was killed when his car collided with a Japanese bus. Injured in the crash were Mrs. Lillie and a British police sergeant, and a Japanese bluejacket who had jumped on the running board and ordered the car to stop was injured and died later. Soon after the accident a Japanese naval landing party came to the hospital and the naval officer in charge demanded to see the corpse and the other victims, and when he was refused immediate permission he struck Mr. A. H. Sampson, British assistant police commissioner. The Municipal Council protested and there the matter rests at present.

Another thorn in the crown of the Settlement authorities is the question of Jewish refugees. These at present number about 6,700, but according to the steamship bookings 1,000 will arrive per month and by September 30th the number is expected to reach 14,000.

6. Situation in Tientsin.

Tientsin entered the limelight on April 9th when the new Superintendent of Customs, Mr. Cheng Lien-shih, was shot to death in the Grand Theatre in the British Concession during the showing of the film "Gunga Din." In the confusion a Swiss subject and a white Russian were also shot, the Swiss dying as a result. The assailant escaped. The Mayor of Tientsin protested to the British Consul General, requesting that the British police be strengthened and that Chinese police be allowed to enter the British Concession to help the British in effecting arrests. The Consul General's reply expressed regret over the assassination and welcomed co-operation with the Chinese police, but refused to accept any criticism of the efficiency of the British police.

Mr. Dyott, who was kidnapped on March 17th and returned to his home in Tientsin on April 3rd, has been recovering from a nervous breakdown and has maintained a discreet silence concerning his abduction.

7. Anti-British Feeling.

Britain continued to be "public enemy number one" in the eyes of the Nanking Reformed Government. On April 19th the "Voice of New China" (a fortnightly published in Nanking) stated in part: "Britain thoroughly deserves the castigation meeted out by the Reformed Government and this Government cannot be blamed for any drastic action it may take to eliminate British influence from China once and for all... ... From the commencement of the present incident Britain has had the opportunity of at least remaining neutral but having chosen otherwise she must bear the consequences of her folly."

At Kaifeng, an anti-British demonstration was held on April 5th at which some 5,000 people met and adopted a strongly worded resolution blaming Britain for the war and urging her to change her attitude, otherwise the people will oust British influence from the Far East. This message was sent to other municipalities in China and also to the Japanese Foreign Minister. According to press reports, anti-British organizations have been formed in fifty-two districts in the occupied territory. A Chinese Peking local

paper stated on April 13th that the Shin Min Hui is making preparations for an anti-British demonstration in Peking to impress upon the people Britain's efforts to frustrate peace in East Asia by aiding the Chiang Kai-shek regime. So far no such demonstration has taken place.

F. P. Munson

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Captain, Field Artillery
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COMMENTS ON CURRENT EVENTS

May 5 — June 14, 1939

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1. Situation in International Settlements
   (a) Kulangsu
   (b) Shanghai
   (c) Tientsin
2. Boarding of Foreign Ships by Japanese
3. Detention of British Military Attache
4. Economic:
   (a) Currency Situation
   (b) Increase in Japanese Population

1. Situation in International Settlements:

(a) Kulangsu.

On the 12th of May the Japanese Navy landed a force of about one hundred and fifty men in Kulangsu, an international settlement on a small island off the mainland from Amoy. They proceeded to erect earthworks to afford protection from rifle fire from the mainland, and the consul stated that the landing was necessary to protect the lives of Japanese nationals living on the island. Within a few days, British, French, and American warships sent landing parties equal in total to the Japanese force, and public interest was shifted from Shanghai and Tientsin as the tension increased around Kulangsu. Mr. Uchida, the Japanese Consul General in Amoy, met with the representatives of the other three powers and a series of negotiations began about the 15th of May, but were discontinued early in June since the powers concerned steadfastly refused to accede to the Japanese demands, among which were a reorganization of the settlement commission appointing more Japanese to important posts and more rights for Formosan residents. Negotiations were stopped when Mr. Uchida left to report conditions to Tokyo.

It is the opinion of this office that the landing on Kulangsu was in the nature of a "test" as a prelude to similar action in Shanghai, and that the prompt action and firm stand on the part of the third powers may act as a preventative against any such action in Shanghai in the near future.

(b) Shanghai.

The situation in Shanghai during the period of this report has remained fairly tense, with the British particularly realizing that "something must be done" and the firm support of the home government seeming as far away

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as ever. During the month the Municipal Council barred publication of one allegedly anti-Japanese paper and issued a decree establishing censorship of all Chinese papers in the Settlement, but this alone of course failed to appease the Japanese.

The landing of British armed forces in Japanese controlled Pootung on May 24th and the death of a British subject at the hands of Japanese soldiers in the same district on June 6th did not help to lighten the atmosphere. In the latter case, the British, a Mr. Tinkler, obviously succumbed to a skull fracture received from the butt of a rifle, and several bayonet wounds in the abdomen. British protests, however, did not receive much consideration from the Japanese since it was proved almost almost beyond a reasonable doubt that Tinkler had either shot at the Japanese or at least threatened them with a firearm.

The attitude of the Municipal Council and other foreign residents in the Settlement is changing in that they have reached the realization that the casting of covetous eyes on the Settlement by the Japanese is no idle dream, and that their backs are actually up against the wall. The next move is up to the Japanese and while it is impossible to predict what that move will be, it is a certainty that it will be affected by the outcome of the recently instituted second blockade of the concessions in Tientsin.

(c) Tientsin.

Some months ago the undersigned was told by an influential staff officer in General Sugiyama's Headquarters that as compared with Shanghai the problem of the Tientsin concessions was "a bed of roses." Since that time, however, Tientsin has become the focal point for a show down between the British and Japanese. The actual point of controversy seems insignificant when compared to the possible final outcome. For the past month the Japanese authorities have insisted that the British turn over to them a handful of Chinese whom the Japanese allege are the persons responsible for the murder of a Chinese director of the local Federal Reserve Bank.

It has been reported that British and other foreign residents in the Concession, as well as the British Consul General himself, are in favor of turning the suspects over to the Japanese, but that the Ambassador, Sir Archibald Clark Kerr, is responsible for the refusal to do so. Apparently the Ambassador's attitude is that it is not a question of turning over the aforementioned Chinese but a question of principle, and that if Britain accedes in this, successive and more insistent demands will be made by the Japanese in the near future. In other words, the Ambassador is taking the initial steps for a show down.

Accordingly, the Japanese, who set June 14th as the dead line, began the blockade promptly on that day. As this goes to press there is reportedly no nervousness in the Concession but the situation is admitted to be very grave and may become more so with the prices of foodstuffs rocketing skyward.

2. Boarding of Foreign Ships by Japanese.

Early in the morning of May 24th a Japanese destroyer signaled the 16,000 ton British P. &. O. liner Rampura to heave to. The liner was at the time only a mile or so outside Hongkong waters and she continued on her way but was eventually overhauled and stopped. Hongkong was notified by radio and the British destroyer Duchess was sent to the "rescue." Reports vary, but one stated that a Japanese boarding party was actually aboard when the Duchess arrived and that the Japanese were ordered off, the liner then proceeding to Hongkong. On the same day the French liner Aramis, bound for Shanghai, was also stopped by a Japanese destroyer, seventeen miles out from Hongkong. A boarding party examined the ship's papers for over an hour and she was then allowed to proceed.

The Japanese naval spokesman at Shanghai stated the next day that the reason for boarding the two vessels was to determine their "status," since Japanese ships had been fired on by ships bearing the flags of third power nationals. On May 29th it was reported that on the same day (May 24th) the German Hamburg-Amerika liner Sauerland was also boarded shortly after the Aramis had been stopped. Whether or not the Japanese secured permission to board the German liner is a matter for conjecture, but at any rate the consuls of the three powers issued vigorous protests. It is interesting to note that the U.S. President liner Coolidge was not molested in any way.

3. Detention of British Military Attache.

Considerable publicity has been given in the Japanese and Chinese press to the detention of the British Military Attache, Lieut. Col. C. R. Spear, by the Japanese military authorities in Kalgan. According to information received from British Embassy officials, it seems that Colonel Spear planned to return to Peking from Chungking via Shensi and Shansi, observing the Chinese army and the operations of guerrillas on the way. He was in contact with the British Embassy here, either by messenger or by Chinese radio, and as he neared his destination he decided, against the advice of local British authorities, to continue north and come into Peking by way of Kalgan. The authorities here, realizing that the garrison at Kalgan was formerly under the Kwantung Army (actually Lt. General Hasunuma has an independent division), felt that if the Colonel came in through Hopei

at Paoting or some other point along the Ping-Han Railway, arrangements could be made with the North China Garrison in Peking to conduct him safely into Peking.

Hearing that Colonel Spear was outside of Kalgan, Lieutenant Cooper, an army language student, was sent to the Japanese Embassy to secure the necessary passes, but was told he would have to obtain them from the local military. At military headquarters he was told that there would be some delay since Kalgan was not under the jurisdiction of the North China Headquarters, and, armed only with British Embassy identifications for himself and Colonel Spear, he left for Kalgan about May 25th. He was not heard from for three days, when news leaked out that the Japanese were holding them both for investigation. On the 29th of May, Major Delamain (British officer who speaks Japanese) and Mr. Lamb, Chinese Counselor of the British Embassy, went to Kalgan but returned after they were unable to secure the release of the two men. Lieutenant Cooper was finally released on June 12th, after reportedly signing a paper to the effect that (1) he apologized to the Japanese Army, (2) he would not attempt such a trip again, and (3) he would not tell the British or Chinese anything about the Japanese military installations he had noticed on his journey. The British Government, of course, had been notified and was reported to be about to take vigorous action, but to date Colonel Spear is still being detained.

Comment. This office concurs in the opinion of the British Embassy that Colonel Spear lacked judgment when he insisted on coming through Kalgan against the advise of the local authorities. It is also the opinion of this office that Lieutenant Cooper was the most unfortunate choice of anyone to be sent to meet the Colonel, since a person connected with the Japanese Headquarters here told the undersigned that Cooper was persona non grata with the Japanese military police along the Peking-Suiyuan Railway, as the result of a trip Cooper made on this road a few months ago, when he made every effort to avoid the military police, hence increasing their curiosity regarding his movements. Another probable reason for the prolonged detention of Colonel Spear is that the Japanese are using his case to force the British to meet their demands regarding the elimination of alleged anti-Japanese terrorists in the British Concession in Tientsin.

4. Economic:

(a) Currency Situation.

On May 16th the Japanese opened a new bank in Shanghai called the Hwa Hsing Bank, which was reportedly backed by six Japanese banks. The purpose of this bank is

to circulate notes on a par with Nationalist Chinese currency and thus by an even exchange get control of as much Chinese currency as possible to buy foreign exchange. While British and American banks were watching the effect of the opening of this bank, the Japanese yen itself began to toboggan on the Shanghai market. By May 24th, the yen, which had always remained slightly stronger than Chinese currency, had dropped to ninety cents against the Nationalist dollar. The Japanese spokesman attributed this to "natural phenomena" and also to the large number of Japanese tourists who came to Shanghai bringing yen.

The yen rallied after a few days and all was quiet on the currency market until June 7th when out of a clear sky the Nationalist dollar began to fall off. This was attributed to the exhaustion of the Sino-British control fund, or to the belief that the fund would not be renewed. The slump in Chinese currency did not strengthen the position of the Federal Reserve currency in North China, but on the contrary brought it down also, and on June 12th the FRB reached an all time low of almost nine in Peking and almost ten in Tientsin as against the U. S. dollar. This proves an interesting point, which is that the Japanese have not yet been able to maintain the FRB entirely independent of the Nationalist currency.

The slump in FRB caused a general rise in certain commodity prices (notably food) in the areas where it is circulated, but it is the opinion of this office that the Japanese will never allow it to be repudiated even if it goes considerably lower. They have too much at stake in this currency now and if forced to, it is believed that they will actually make the Japanese banks back it with a legitimate reserve instead of the present "paper" backing.

(b) Increase in Japanese Population.

The following figures showing the increase in the Japanese population in certain occupied cities in China is forwarded as of possible interest:

City	Pop. before incident	May 1939
Peking	(Census 1933) 1,954	45,000
Tsingtao	16,185	23,505
Tsinan	2,054	9,642
Shihchiachuang	0	6,611
Hsuchow	0	2,000
Tatung	5	3,642

F. P. Munson

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No. 9773 1st Ind. WM:elh

Office of the Military Attache, American Embassy, Peking, China, June 14, 1939. To: The A. C. of S., G-2, War Department, Washington, D. C.

1. Approved.

William Mayer,
Major, Field Artillery
Military Attache

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COMMENTS ON CURRENT EVENTS

June 15 - July 13, 1939

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1. The War Situation as Viewed from Peiping
2. The Anti-British Campaign
3. The Proposed Super-Puppet Government
4. The Mongol Border
5. Some Japanese Opinion

1. The War Situation as Viewed from Peiping.

The Sino-Japanese "undeclared" war enters its third year with few signs of an early ending. Large-scale operations by the Japanese in any theater in China are unlikely without reinforcements. These can come only from Japan and Manchukuo or by shifts within China which would dangerously weaken the depleted sectors. It is hardly likely that any Japanese troops will be moved out of Manchuria at this time. On the contrary, French reports state that troops totalling about a division were moved north on the Peking-Mukden line during the latter part of June. It is doubtful too that sizable reinforcements as distinguished from replacements will be sent from Japan to China shortly.

Japanese military activities in China are confined to minor action along the South China coast and to mopping up operations in Shansi and Shantung. Despite optimistic Domei reports, the results of the mopping up campaigns are indecisive. They succeed only in moving the lightly resisting Chinese forces from one area to another. As soon as the Japanese drive ends or slows the Chinese move right back.

Neither are the Chinese able at this time to do more than resist further penetration and to harass the Japanese on the front lines and inside the occupied areas. Observers at Chungking are impressed with the solidarity, morale, and dogged optimism of the Chinese, though not so much with their efficiency. However, no intelligent observer believes that the Chinese will soon reach the point where they can successfully proceed with aggressive military action against the Japanese. Two years of indecisive warfare has had its effects on Japanese morale. Many reports, particularly those from Hankow, indicate this. Nevertheless, the Japanese military machine is still superior to the Chinese.

With large-scale military action in abeyance, the Japanese are now intensifying their political and economic attacks. Among these may be cited the anti-British campaign, trade control in North China and Inner Mongolia, the Hwa Hsing Bank in Shanghai, pressure on all foreign concessions, and increasing efforts to form a super-puppet government.

From M/A, China Report No. 9783 July 13, 1939

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At the game of political and economic maneuvering the Chinese have had years of experience. This is a field in which they may have a much better chance of success against Japan than in purely military operations. It will be interesting to watch further developments.

2. The Anti-British Campaign.

A well organized campaign against the British is now in full swing. Inspired meetings and parades are held in all important cities in the Japanese occupied territory, and some even in Manchukuo and Japan. The objectives probably are to furnish a convenient whipping boy for the home front in Japan and to focus anti-foreignism among the Chinese on Japan's most potent economic rival. The Japanese evidently thought that since Britain had many times been the target of Chinese anti-foreign manifestations therefore such feelings could again easily be aroused. Then too the British appeasement policy in Europe and her comparatively mild reactions to earlier affronts were interpreted as distinct signs of weakness.

What results are being achieved in Japan are not known here. But the Chinese in general are, so far, most apathetic to the Japanese urgings. They attend the compulsory meetings and parades but little effective action results. In Shansi, several groups of British and Canadian missionaries have been forced to leave under threats of mob violence and statements by local Japanese military authorities that it would be difficult or impossible to protect the missions. According to one of the missionaries, one mob in Shansi consisting of the town's riff-raff, was led by recognized local Japanese officials and sheepish looking Chinese police, all in civilian clothes. The mis-handling by Chinese of Britons at the barricades in Tientsin is done under the direction of and witnessed by Japanese military officials and soldiers. When no Japanese were present, Britons had a much easier time.

The announced Japanese credo is to drive out all western influence from China. Their authorities have constantly denied any premeditated attacks against our interests, yet their actions fit into the pattern and sooner or later our turn will come if the Japanese succeed in their aims.

Many arguments are advanced to point out that the principal reason for the comparatively mild British stand is the hope that by so doing they will keep the now dormant conservative Japanese parties from complete extinction and, when the proper time comes, that the conservative Japanese will be returned to power and restore all to the British. These arguments appear to be fallacious, for any retro-cession on the part of westerners is seized upon as an indication of weakness and tends to strengthen the hands

of the Japanese extremists now in power. Both the extremists and conservatives are agreed on the necessity for Japanese dominance in Asia. They differ only on the means to be used to achieve that purpose. Therefore, any advances gained by the extremists will be tenaciously clung to by the conservatives, if and when they get into power. I believe that if Japanese violation of neutral rights had been promptly followed by effective retaliatory measures, Great Britain's position in the Far East would not now be in such sad state.

The present defeatist attitude of the British nationals in this area is a far cry from their pre-war stand. They appear resigned to more buffeting, feeling that their government has already written them off. Many believe (and maybe rightly so) that their local diplomatic and military representatives as well as the home government have badly bungled their jobs. Certainly there is not one British official in North China who is persona grata to the Japanese. Major General Grasset, commanding the British forces in China, was in Peiping on a formal inspection trip this week. When he tried to arrange a call on the Japanese commander in North China he was informed flatly by General Sugiyama that such a call would not be welcome and might be misunderstood.

3. The Proposed Super-Puppet Government.

The session of the Council of the Republic of China, consisting of representatives of the North and Central China puppet regimes, now going on at Tsingtao, is being heralded in the Japanese controlled press. It is claimed that the meeting foreshadows the formation of a combined regime under Wang Ching-wei. Wang is broadcasting statements in which he attempts to prove in writings of Sun Yat-sen that the Kuomintang principles really call for cooperation with Japan. The Japanese controlled press in broadsides of publicity in turn hails him as a logical successor to Sun Yat-sen and the true leader of the Kuomintang. But Wang has lost much of his stature and most of his following among the Chinese since his defection from Chungking. It is doubtful that he can prove a serious threat to the National Government. Even the Japanese military are quite sceptical of his drawing power.

Wang was in Peiping late in June for the rumored purpose of getting Wu Pei-fu aligned with him. Wu politely refused to call on him, so Wang left immediately. Incidentally, I was informed by a reliable foreigner that Wu Pei-fu had been drawing a pension of C.$5,000 monthly from the old Provincial Government of Hopei and that the pension is being continued by the present regime. Hence Wu feels duty bound to be polite at least to the local government.

4. The Mongol Border.

It is most difficult to ascribe any logical military reason for the fighting now going on in the vicinity of the Mongol border. After two months of nibbling and unbelievably extravagant claims of air victories, the Kwantung Army on July 2nd announced that it had launched a major offensive against the combined Russo-Mongol forces who had invaded Manchukuo territory. Since then, while Japanese claims of extravagant air victories continue, reports from the combat area indicate that the land operations are not meeting with heavy successes. The available inadequate maps of the area show that all the land action and most of the air combat is located well within the Manchukuo border. The border there is marked by the Khalha River which has been known to do considerable meandering. Russian reports have been restrained in tone, but there is little doubt that they are holding their own.

Many political reasons have been advanced for both Russian and Japanese military activity on the border, but none of these is completely satisfactory.

5. Some Japanese Opinion.

Since my arrival it has been possible to hold frank informal conversations with only one or two Japanese here, mostly lesser officials. Talk almost always soon led around to peace and it was plainly evident that an early end to the war was uppermost in their minds. Yet they admitted that there were no true portents at present. A hint of desperation was evident at times. One man said significantly that the Japanese Army was determined to hold on until its objectives in China were accomplished. If the war resulted in a protracted stalemate with consequent difficulties at home, they were prepared to send for their families and live on the country here. He admitted that Japan could not carry on indefinitely on a war time economy and that the continued strangulation of normal foreign trade was bound to have serious effects in Japan.

William Mayer
Major, Field Artillery,
Military Attache

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COMMENTS ON CURRENT EVENTS

August 11 - September 7, 1939

RECEIVED G/2 W. D. OCT 5 1939

1. Reaction in China to the Moscow-Berlin Agreement
2. Position of Armed Forces of European Belligerent Powers in Japanese Occupied Areas of China
3. Anti-British Demonstrations
4. Tientsin Flood

1. Reaction in China to the Moscow-Berlin Agreement

As may be expected, the announcement of the Moscow-Berlin agreement was hailed by the Central Government as a distinct blow to Japan, and conversely an aid to China. The Nationalist press agencies stated that the agreement automatically broke up the anti-Comintern pact which would allow Soviet Russia to center her attention on Japan and place her resources more fully to the aid of China. News organs in the occupied areas, as in the case of the Japanese press, loudly protested Japan's betrayal at the hands of Germany. No surprise was registered in the Nationalist or puppet press over the resignation of the Hiranuma Cabinet, since that was fully expected after the sudden announcement of the Berlin-Moscow agreement which dealth such a blow to the established anti-Comintern platform of the Hiranuma Cabinet.

The military spokesman in the North China Headquarters told the undersigned that in spite of the German action and the subsequent Cabinet resignation, Japan's announced intention to overthrow the Chiang government would undergo no change. I asked him how the overthrow would come about unless Japan prosecuted the war more intensively in Central China, and he refused to answer in view of the fact that the new Cabinet had not yet made public its plans in this respect. Persistent rumours concerning withdrawals of Japanese troops from Central China and their dispatch to Manchukuo lend credence to the belief that Japan is concerned about the reported movement of Soviet troops to the East. While Japan undoubtedly received a diplomatic setback by the Berlin-Moscow agreement, she suddenly found herself in a position to achieve consolation when the European war broke on September third, for with no ties to bind her to Germany she can announce her status of neutrality and practically wield the whip hand in the Far East.

From: M/A China Report No.9794 September 8, 1939

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2. Position of Armed Forces of European Belligerent Powers in Japanese Occupied Areas of China

On September 6th the Japanese authorities made representations to Great Britain, France, Germany and Poland, in which they stated that in order to avoid "incidents" they deemed it advisable for the belligerent powers to withdraw their military and naval forces from the occupied areas of China. The United States and Italy were also notified of this move. Since there are no German or Polish military or naval forces in the Far East, it was obviously the opening wedge to cause the British and French troops to evacuate. It is most probable that both Britain and France will refuse to do this and if they do refuse, it is difficult to predict what the next Japanese move will be. She will either have to back down on the demand or use force which will naturally lead to serious international complications.

3. Anti-British Demonstrations in Occupied Areas

With the Berlin-Moscow agreement it was thought possible that Japan would look forward to a settlement of Anglo-Japanese disputes in the Far East and that this, in turn, might bring to an end the many demonstrations against the English. This, however, has not proven to be the case and even since the outbreak of the European War demonstrations continue to be held in Peking, Tientsin and other cities of the occupied areas. In the main these demonstrations consist of mobs of amused and indifferent Chinese led by a few Japanese instigators, and little more is accomplished than mass meetings, lantern parades and circulating anti-British pamphlets. A Chinese clerk in the British Embassy in Peking was attacked in his home for not having left British employ, but very few instances of physical violence and property damage have occurred during the period under review. Violent anti-British handbills printed in English and Chinese on bright green paper were distributed through the streets of Peking on September sixth by hooded men in automobiles. They were signed by the "Irish Revolutionary Army (China Section)" and a copy is enclosed with the original of this report.

4. Tientsin Flood

While the water in the flooded areas of Tientsin is receding the situation is still serious and will probably remain so for some time since it is estimated that it will be a month before the water can drain off and only then can the cleaning up begin. Since the surrounding country side was flooded, the shallow Chinese graves were inundated and many corpses and coffins were seen floating in the outskirts of the city. Cases of gangrene and cholera have been reported and the Japanese military and all Concession authorities are doing everything in their power to prevent epidemics. The

stations are piled high with Japanese military and other goods and shipping is at a standstill, as is practically every kind of business. This condition was not helped any by the railroad bridge washout between Tientsin and Tangku, and for the past week passengers arriving or departing must ride from five to seven hours on a crowded lighter between these two points and are allowed to carry only two suitcases each.

The main danger of course is the threat of famine. One news service estimates nearly two million people depended upon the inundated farms and plantations surrounding the city for their food. Many Americans and other foreigners have evacuated to Peking, Peitaiho and other places. The United States Marine Detachment in the city has not yet experienced any acute shortage of provisions and have even been supplied with fresh vegetables by the Japanese Commander, General Homma. The barrier restrictions are still being enforced and the whole situation, to say the least, is a most unpleasant one, but one which, unless conditions take a turn for the worse, will probably not develop any serious disorders.

F. P. Munson
Captain, F.A.
Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

July 14th - August 11th, 1939

RECEIVED G/2 W. D. SEP 7 1939

1. General
2. Anti-British Demonstrations
3. Currency Situation

1. General

During the period under review general interest has been centered on the Tokyo parleys, the continued rise in anti-British feeling and the currency fluctuations, but there is moreover a persistent undercurrent of feeling which resembles the lull before the storm. It is difficult to predict future events with any degree of accuracy but by analysing various rumors and reports certain suppositions are possible. Members of the Nazi Party in Peking have more or less openly been talking about action against Danzig in September, and information from Shanghai stated that the Japanese Emperor himself had ordered the Japanese army to finish its central China campaign by the end of August. If the latter be true it is conceivable that Japan is preparing another blow in the Far East under cover of increased European tension. This may take the form of more drastic pressure on the British Concessions (perhaps even against all foreign Concessions and International Settlements) or it may be a move against Soviet Russia.

For some time reports have been received that Japanese units are being withdrawn from the Yangtze valley and while these reports have not been confirmed by this office they have come from so many sources it is impossible not to place some credence in them. The units withdrawn have been reported to number from two to six divisions plus heavy artillery units. Their destination is unknown and replacements have not been reported. Whether these withdrawals, if true, are for the use of the troops in other areas or for the purpose of building up morale by rest and filling ranks depleted by sickness as well as military casualties is not known, but both are logical possibilities.

The Japanese political peace campaign continues through the mouth of Mr. Wang Ching-wei who has been busy traveling about making radio speeches along his former line, but he is gradually withdrawing from the limelight. The Provisional Government too has sent messages to Chungking inviting persons holding office with the Central Government to leave and join the Provisional Government where they "will not be treated as traitors". This appeal has fallen on deaf ears and the Central Government, while naturally alarmed at the possibility of Britain acceding to

all the Japanese demands, is still firm in its fixed policy of resisting the Japanese at all costs.

2. Anti-British Demonstrations

When the Anglo-Japanese parleys opened in Tokyo on the 15th of July it was believed possible that anti-British feeling in Japan and the occupied areas of China would lessen in intensity since the Japanese were known to have started and encouraged the movement, but the contrary proved to be the case. Other than in Tokyo and Kobe anti-British demonstrations have been held in Kalgan, Peking, Tungchow, Tientsin, Tangku, Peitaiho, Tsingtao, Tsinan, Taiyuan, Shihchiachuang, Kaifeng and other smaller towns. Acts of violence which resulted in damage to British property were reported in Tientsin, Tangku, Tsingtao and Tsinan. The intimidation of Chinese servants and employees has caused numbers of these to leave their British masters, including in the British Embassy in Peking. Signs and posters appear in large numbers and many of these are put up openly by Japanese.

All appeals made by the British to the Japanese authorities have met with the same answer - that the movement is a spontaneous one on the part of patriotic Chinese who will not cease their operations till Britain shows sincerity in cooperating with the "New Order in East Asia". The British Embassy personnel have tried to deal with the Japanese Embassy in Peking but met with no success and were practically told that the campaign was in the hands of the army. The Commandant of the Embassy Guard, Major Goldschmidt, was asked by the British authorities to take the matter up directly with the Japanese Commander General Sugiyama, but he was informed by the Japanese that the General was out of town and that he would have to wait.

Since London has delayed for some time in sending instructions to Ambassador Craigie the Japanese (particularly the Army) have been threatening to break off the negotiations which will, in the opinion of this office, merely intensify the anti-British campaign to an extent where Britain will accept the Japanese demands in their entirety, and this will be tantamount to giving up control of the Tientsin Concession.

3. Currency Situation

The currency situation in China is still as much of a mystery as ever and talks with Chinese, Japanese and foreign bankers fail to lend much light. During the period under review the "fapi" or Chinese currency in Shanghai fell to four pence, the lowest point it has ever reached. Japanese claimed it was a Chinese trick to pull down the notes of the newly established Hua Hsing Bank whose notes were pegged to the "fapi", but that actually it was a victory for the Federal Reserve Bank and showed the people of China are losing faith in the money of the Central Government. At any rate the Hua Hsing unlinked its currency from the "fapi" and pegged it to sterling to keep it too from falling. The Hua Hsing Bank for

some time had been exchanging its notes for fapi at one for one and buying all the fapi it could with which to purchase foreign exchange, so the drop must certainly have affected this scheme considerably.

Some sources believe the drop in National currency registered Chungking's consternation at the possibility of Britain accepting the Japanese demands to refrain from further financial assistance and to turn over to the Provisional Government the money in the Tientsin Concession banks. Whatever the reason, the victory for the Federal Reserve Bank is incomprehensible since its money fell with the fapi and has reached a new low of seventeen to one against the U.S. dollar. This has resulted in a rapid rise in the price of every conceivable commodity in the areas where Federal Reserve currency is used, and in the end is just another cross for the poorer Chinese in these areas to bear. Nothing daunted, the Federal Reserve Bank continues to open new branches and now boasts seventeen branches and advertises a capital of fifty million Chinese yuan, with a total output to date of two hundred and sixty million Federal Reserve notes in circulation in North China. The whole system is further complicated by the fact that there are three "banking zones" in China at present in the occupied areas. These are the Federal Reserve zone in North China, the military note zone from Nanking to Shanghai and up to Hankow, and the Hua Hsing and Chinese currency zone in Shanghai.

This currency stabilization and equalization situation will be one of the first problems the Japanese will have to solve when the second or "economic penetration" phase of the China incident begins, if it ever does. In spite of the recent fall of the Federal Reserve dollar however, it is the opinion of this office that the Japanese have too much at stake to allow it to be completely repudiated.

For and in the absence of the Military Attache:

F. P. Munson
Captain, F.A.
Assistant Military Attache

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COMMENTS ON CURRENT EVENTS

September 8 - October 2,1939

RECEIVED G/2 W. D. NOV 6 1939

1. Finale to the Spear Case
2. Central Government
3. Establishment of Central Japanese Military Headquarters
4. Establishment of New Puppet Central Government
5. Anti-British Activities

1. Finale to the Spear Case.

Lieutenant Colonel C. R. Spear, British Military Attache to China who was arrested by the Japanese military authorities near Kalgan on May 25th, was brought to Peking and released September 8th. After several personal interviews with Colonel Spear the undersigned came into possession of facts which shed considerable light on possible reasons for his lengthy detention. It is believed of interest to relate these facts briefly since the "Spear Case" may influence future Japanese action regarding the activities of all other Military and Naval Attaches stationed in China.

Colonel Spear is a tall, husky officer and seemed to be in good physical condition despite the loss of some forty pounds and the mental strain of such a long confinement. He is very outspoken, has the absolute strength of his convictions and is inclined to be a little "bull-headed". Having been a former language student in Peking he is naturally pro-Chinese. During his long trek from Chungking through Szechwan, Shensi and Shansi he was welcomed by delegations of the local populace at several cities, and on occasions addressed a few remarks to the crowd. At one place he ended his remarks with: "Keep up the fight chaps and I know you will win." The Japanese military authorities in Kalgan read him an English translation of this and asked him if he had said these words, whereupon the Colonel replied: "Being attached to the Chungking Government you would not expect me to say I hoped they would lose, would you?" Colonel Spear said a Japanese officer interpreter would come to his room at the same time every morning and question him for an hour. Being fed up with this eternal inquisition he decided to have a try at it himself and one day while they were discussing forms of government he asked the officer if he considered Japan to be a totalitarian state. The officer said "Why yes, don't you?" "No" said the Colonel, "and it won't be until you've bloody well bumped your Emperor off." He said the officer's eyes

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seemed to stick out for a minute and he left the room without saying a word, (which is understandable).

A few days before Colonel Spear was due to leave Peking by train for Kobe and then by boat through the United States to England, he attended a cocktail party in honor of Admiral Hart at the house of the Commander of the American Embassy Guard. The undersigned was talking with two Japanese staff officers attached to the liaison section of the North China Headquarters when Colonel Spear came up and asked me to inform them he was willing to bet five pounds he would be arrested at least three times between Peking and Kobe. I translated this a nd the Japanese officers said of course that would not be so, but by their embarrassed grins it was evident that they did not appreciate the joke.

Colonel Spear is still in Peking recovering from a slight illness. He seemed rather disappointed at first that the British War Office recalled him so soon after his release, but with the war in progress he now seems anxious to return home as soon as possible. During the last month the undersigned has become very well acquainted with him, and while he is without doubt a very capable officer it is felt that he could have shortened his confinement considerably had he adopted a more conciliatory attitude toward the Japanese military authorities.

2. Central Government

During the period under review the Chinese Nationalist Government has received a number of diplomatic hammer blows which have undoubtedly caused the utmost apprehension in Chungking. To enumerate, the advent of war caused the focusing of British attention on Europe, and the subsequent turning over to the Japanese of the so-called Tientsin criminals coupled with the more recent decision of Great Britain to withdraw ten gunboats from the Yangtze River for duty elsewhere, have lent credence to the belief that British resistance to Japanese demands is lessening, which is tantamount to withdrawing aid to China. Before this, the conclusion of the Berlin-Moscow Pact started rumours to the effect that Germany, still hoping to use Japan to embarrass Britain in the Far East, was endeavoring to cause the Soviet to withdraw aid to China and come to an agreement with Japan. When, on September 16th, the Nomonhan truce was declared, China could well believe these were no idle rumours. Just before this truce it was reported that severe fighting on the Nomonhan front had caused large numbers of Japanese casualties and it was certain that many train loads of troops were being rushed to that vicinity. While the Japanese will probably eye with speculation any agreement with the Soviet, even a temporary truce will allow Japan to concentrate on her attempt to finally

overthrow the Chiang regime.

It has also been reported (but not confirmed) that the Soviet is annoyed with China since the latter country has not cooperated with the former in its attempt to embarrass the British in India. If Britain and the Soviet do withraw assistance the sole important country for China to fall back on will naturally be the United States in which case this country will in future become the target for Japanese animosity. In spite of the gloomy outlook, however, the Chiang Government still remains firm in its unshaken policy of resistance to Japan to the bitter end, and it is still hoped that by continuing this resistance the terrific drain of Japan's finances and man power will cause a turn in the course of the "incident". It is also believed that as long as Sir Archibald Clark-Kerr remains ambassador, China can depend on as much British support as he can possibly muster.

3. Establishment of Central Japanese Military Headquarters

On September 12th the Imperial Military Headquarters in Tokyo announced the establishment of a General Headquarters of the Japanese Expeditionary Forces in China. The announcement stated that the reason for the establishment was: "in order effectively to meet the current situation and effect a proper disposal of the China Incident." Some local observers were of the opinion that the establishment resulted from a realization at last on the part of the Japanese military that operations in China could not be successfully concluded without more unified action between the North, Central and South China garrisons, but the undersigned is disinclined to agree that this reason was the prime motive. It seems reasonable to assume that if the Tokyo Headquarters desired more unified operations they would not have waited for over two years to establish a Central Expeditionary Headquarters. On the other hand, the fact that the Headquarters is to be located in Nanking and the Chief of Staff is General Itagaki who is known to be one of the strongest supporters of a new Central Government headed by Wang Ching-wei, leads the undersigned to believe the establishment of the Central Headquarters was more for political and economic than for military reasons. Political, in the sense that the Headquarters will actually control the new puppet regime (if established), and economic, in that future exploitation of the resources of the country will be in the hands of the Japanese military.

Since General Nishio (the Commanding General) has only recently arrived in Nanking it is impossible to determine at present the actual functions of the new Headquarters, and the discussion will be continued in future Comments.

4. Establishment of New Puppet Central Government

During the early part of September the Japanese and Japanese-sponsored Chinese press gave much space to the new Central Government to be formed under the leadership and guidance of the former Kuomintang official - Mr. Wang Ching-wei. In fact it was considered practically a fait accompli. To conclude the final arrangements a meeting was held in Nanking between Wang Ke-min (Peking Provisional Government), Liang Hung-chih (Nanking Reformed Government) and Wang Ching-wei who came from Shanghai. Wang Ke-min flew down accompanied by Lieutenant General Kita and after two short conferences the Peking delegation returned September 23rd and Wang Ching-wei went back to Shanghai which led observers to believe negotiations had fallen through. General Kita is reported to have bitterly opposed the fusion of governments, either because he believed Wang Ching-wei unable to hold his Chinese following or because he (General Kita) is in favor of consolidating the Japanese hold on the North China Provinces comprising the Provisional Government.

The following terms submitted by Japanese authorities were reportedly agreed to by Wang Ching-wei in the event the new government is established:

1. Recognition of Manchukuo.

2. Creation of an anti-Comintern buffer state including North China and Inner Mongolia.

3. The Yangtze River to be open only to Japanese shipping, British and American interests to be specifically excluded.

4. Hainan Island to belong to Japan.

5. The newly established Government may use the Kuomintang flag, insignia, and constitutional forms. The Japanese Government will not insist upon the appointment of Japanese advisors to the Chinese Government, but it is understood that all technical advisors to be employed hereafter by the Chinese Government shall be Japanese rather than citizens of any other country.

6. Any of the above may be altered in case of military necessity.

Obviously the last stipulation would make the agreement, as such, null and void. Since the return of Wang Ke-min to Peking there has been little or no press comment concerning the establishment of this new government, and it is the opinion of the undersigned that some

time will lapse before the Itagaki and Kita factions come to an agreement unless one or both of these officers are replaced.

5. Anti-British Activities.

There have been no outstanding anti-British demonstrations during the period under review but the undercurrent of the movement is still strong. The Hsin Min Hui particularly continues to publish articles banning British goods and urging the united Chinese people to help in driving out all British enterprises from China. The Commanding Officer of the British Embassy Guard states that the number of petty instances involving his men is increasing. British troops traveling between Peking, Tientsin and Chinwangtao may not use travel warrants since they are not accepted at the railroad stations. There is also the greatest difficulty in obtaining rolling stock for troop transfers. Several times British soldiers have been arrested and confined for some days by Japanese military police for little or no cause and the Commandant has been unable to confer with the officer in charge of the foreign liaison section of the Peking Headquarters since every time he calls he is told the officer concerned is "out". Letters to the Headquarters are either not answered or delayed beyond reason. The Commandant said the only time the Japanese willingly assisted in providing railroad accommodations was when the officer's and non-commissioned officer's families were evacuated.

The above instances show the Japanese are more than willing to stoop even to petty annoyances in order to drive out the British troops, while the French on the other hand are having no trouble and the American Marines are (at present) being accorded every accommodation possible.

F. P. Munson

F. P. MUNSON
Captain, F.A.
Assistant Military Attache

1st Ind.

Office of the Military Attache, American Embassy, Peking, China, October 4, 1939. To: The Assistant Chief of Staff, G-2, War Department, Washington, D.C.

1. Approved.

William Mayer,
Major, Field Artillery
Military Attache

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WAR DEPARTMENT

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COMMENTS ON CURRENT EVENTS

October 3 - November 1, 1939

1. Japan and China
2. Japan and the United States
3. Dissension in the Japanese Foreign Office

RECEIVED G/2 W. D. NOV 30 1939

1. Japan and China.

The Japanese position has deteriorated markedly in the last few months. The notice of the abrogation of our treaty and Ambassador Grew's speech in Tokyo have indicated to Japan our "unfriendly" stand. The Russo-German pact was a definite blow. The outbreak of the European war, which might have been of great benefit to Japan had she not been engaged upon her China venture, now makes her economic stability practically dependent upon the Americas. The Nomonhan operations and the Changsha reverses have been serious assaults upon Japan's military prestige.

Reports from Tokyo indicate that political purposes behind the Japanese drive on Changsha were first to strike a decisive blow at Chinese morale, which was considered to be at an exceptionally low ebb, and second, to use the victory celebration following the expected fall of Changsha to herald the launching of the new Wang Ching-wei puppet regime. It was hoped that this victory would swing many wavering Chinese over to the Wang fold and make Chinese in general amenable to Japanese peace overtures. It was to be the final military stroke of the war. The attack backfired, as described in the current Situation Report, giving the Japanese another serious set-back to add to their increasing difficulties. In addition to the Japanese losses in personnel, material, and prestige, the resultant beneficial effect upon Chinese morale will materially hamper Japanese political intrigue in China.

For the past few weeks there has been a heavy barrage of local news comment about Russian penetration into Sinkiang; about the rising friction between the Kuomintang and Communist parties; but mostly about peace feelers put out by the Chungking Government. Practically all this news emanates from Japanese sources and seems designed to foment distrust among the Chinese factions. This propaganda barrage was possibly arranged in conjunction with the Changsha offensive, and may be part and parcel of the announced Japanese determination to bring the China Incident to an early end. Yet all this Chungking peace talk emanating from Japanese sources may indicate an increasing anxiety on the part of the Japanese.

From M/A, China Report No. 9810 November 1, 1939

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The situation of the Chinese has always been bad. Differences between many of the important factions have been reconciled only on the surface. There has been a lack of coordination in all phases of the government. The military machine is unquestionably poorer than the Japanese. Yet the Chinese Government has been able to maintain itself through crisis after crisis during the entire war. It has the benevolent support of the democratic powers and substantial aid from Russia. There has been no decided deterioration and its situation is little worse if any than it was say a year ago.

In the "Comments from the Field" dated August 4, 1939, it was stated in effect that if the status quo persisted, the Japanese would eventually succeed in their objectives in China. The events of the last few months, while they may have benefited China but little, have had a decided effect upon Japan. There is now an increasing doubt that Japan will eventually succeed in all of her objectives. The Japanese Army is not yet ready to surrender any important military gains in China as the price of peace. However, if the factors working against Japan continue their present trend that time may come.

2. Japan and the United States.

Ambassador Grew's talk before the American-Japanese Society at Tokyo on October 19th informed the Japanese people, many perhaps for the first time, that the points of friction between the United States and Japan were based not alone upon the incidents arising from the actions of the Japanese armed forces in China against our nationals but also upon our positive objections to the basic Japanese objectives in the Far East and the methods of obtaining them.

Now that the main issues have finally been voiced in Japan, it will be interesting to watch the general reaction there. So far, the Japanese press comments, possibly government inspired, indicate a determination to carry on with the plan for the New Order in East Asia regardless of what the American Government may think about it. It is too early as yet to get the full reaction. Many informed Japanese realize that Japan's situation in China is none too healthy and that in the light of the present European developments, America is in a position to put irresistible economic pressure upon Japan. However, Japan has already staked so much upon her venture in China that it will take much more than a speech by an American Ambassador to make the dominant cliques in Japan even contemplate a radical revision of their considered national aims.

The tenor of the Japanese Government's policy vis-a-vis the United States has consistently been, in so far as their armed forces in China permitted, toward placating us with regard to immediate issues, such as

attacks upon our nationals and their property and current interference with their legitimate business. There has never been an indication that the Japanese Government had any intention of deviating from its basic objectives, namely, complete domination of China and the eventual exclusion of all foreign interests therefrom. Japanese statesmen have stated repeatedly that they do not want one inch of Chinese soil; that they have no intention of interfering with legitimate foreign rights and interests. Unfortunately we heard the same protestations with regard to Manchuria, and the results are well known. The actions of the armed forces and statements by a few outspoken Japanese leave no doubt as to Japan's real objectives. Regardless of whether the usurping of foreign rights and interests in China is done in the name of Japan or of her puppet governments, the impetus springs from Japan and the results will be the same. Japanese realize that the United States is the greatest potential threat to the attainment of their "Manifest Destiny." Many, including army leaders, believe that if we can be appeased for the period necessary to consolidate their position in the Asian mainland, their difficulties would be largely over. For then they could again present us with a fait accompli which we could never revoke.

The present Japanese Cabinet, none too strong, will probably find itself under pressure from powerful cliques to come out into the open and inform the world that China is Japan's private preserve and that she will brook no interference in her objectives there. Here in North China, where the Japanese feel solidly entrenched, many publicly voice just that thought. While Japan's position has definitely deteriorated during the last few months, few Japanese consider that their plight is serious. In fact, most Japanese have been led to believe that a complete victory in China is within easy reach. Not until Japan's internal and external situation worsens considerably can there be any hope for a material revision of her objectives. Regardless of the final outcome, we may expect early retaliation for any decisive action we may take against Japan. This will probably start in the form of "spontaneous" anti-American agitation among the Chinese in occupied areas. With the experience gleaned from their task of fostering the anti-British movement, the Japanese Army Special Service Section will have little difficulty in making life unpleasant for the Americans in Japanese China. Viewed from Peiping, it looks like stormy seas ahead.

3. Dissension in the Japanese Foreign Office.

The recent revolt in the Japanese Foreign Office has its origins in the old controversy as to who was to control the exploitation of China. It will be remembered that the Army and the Foreign Office clashed over this plum

more than a year ago and two cabinets fell largely because of this same issue. A compromise was reached in the erection of the Asia Development Board. In this the Foreign Office lost out. When the new Abe Cabinet tried to take additional powers away from Foreign Office personnel by creating a new Department of Commerce, a revolt ensued. The Army clique, which emphatically does not like the Abe Cabinet and would be delighted in its fall, aided and abetted the Foreign Office recalcitrants. A truce has been patched up in which, while both sides retracted from their early uncompromising stand, Foreign Minister Nomura and the Cabinet largely won out. Some of the leading intransigents among the revolters are now being transferred to less important posts and peace again reigns. The fight, however, was not without its effects upon the stability of the Abe Cabinet.

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COMMENTS ON CURRENT EVENTS

November 2-29, 1939

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1. Military Operations
2. Wang Ching-wei Regime
3. Tientsin Blockade
4. Japan and Russia
5. Withdrawal of British and French Troops
6. Meeting of Central Executive Committee
7. Report from Mengcheng

1. Military Operations.

This month marks the greatest spread in military activity for some time. Fighting has been going on in Hopei, Shansi, Hupeh, Honan, Hunan, Kiangsi, Chekiang, Kwangtung, and Kwangsi. Except for the Japanese landing in the vicinity of Pakhoi, most of the action was of a minor nature and indecisive. In the Hopei operations, Lieut. General Abe was killed on November 7th by a Chinese T. M. shell. He is the highest ranking officer to be killed in action during the war.

In their landing operations in the Gulf of Tongking (Pakhoi) on November 15th the Japanese finally pushed home a campaign they had threatened for nearly a year. The size of the Japanese forces utilized is estimated to be about two divisions. Authentic reports state that seventy Japanese ships took part in the operations. It is safe to estimate that forty to fifty of these were troop ships.

The Japanese claim that their initial landings were made with a forty MPH wind lashing the beaches and that bad weather persisted for several days. The Japanese have had a great deal of experience in amphibious warfare, but landing in a blow of that intensity is hard to believe. Several feint landings were made but the bulk of the forces landed at several points in Chinchow Bay, about seventy kilometers northwest of Pakhoi. It was a well planned maneuver with good co-ordination between the army, navy, and air force. As usual, little opposition was encountered and the Japanese were able to establish their beachheads and push inland with no difficulty. Within three days (November 18th) they had taken Tasze. Two days later they had entered Kwangsi Province and the fall of Nanning was announced on November 24th and again on November 25th. To date (November 28th) the Chinese still claim to hold the city but admit that the Japanese are on the outskirts.

Indications of the lack of Chinese resistance are the unusually modest Japanese claims in casualties inflicted and booty captured for the entire operation to November 26th, viz., 2200 Chinese killed, 7 heavy guns, 6 heavy and 48 light machine guns plus 45 trucks captured.

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With the capture of Nanning one of the most important communication routes to French Indo-China is lost. Why the Chinese failed to make a more spirited defense of this artery will not be known for some time. The Japanese had made it plainly evident that a landing in that general area was impending. They chose to launch their attack at the same time that the Central Executive Committee of the Kuomintang was holding its session at Chungking, - good timing, as it happened, for Pai Chung-hsi apparently could not tear himself away in time to stop the Japanese penetration into his own province. While the landing itself might have been difficult to prevent, the rapid and unopposed penetration and the fact that Pai failed to leave Chungking on time makes one suspicious. Chungking seems little worried about this latest blow. How to replenish the gasoline stocks or relieve the congestion of supplies in Haiphong are problems to be solved at some future date.

2. Wang Ching-wei Regime.

Prominent Japanese leaders, including the Premier, the Foreign Minister, and the Minister of War, in interviews and press releases continue to predict the early inauguration of the Wang Ching-wei regime in China. Press statements indicate that the Japanese Cabinet has definitely decided upon this step and that it places great reliance upon this as a means toward reaching an early solution to the China impasse.

In China, however, there is a considerable lack of unanimity among the Japanese and their Chinese satellites on this burning question. Underneath there is a struggle for spoils and power. In addition, there are many Japanese and their Chinese adherents who believe that Wang has made too little progress in securing the real backing from the Chinese masses. There are strong objections among both the Japanese and Chinese now in power in North China to subordinating themselves to a central regime. It is fairly definite that any new central puppet will have very little authority in North China or Mongolia. The Japanese military leaders who pull the strings in both North and Central China too have serious objections to a higher civil authority even though it is superior in name only.

As a result of this dissension, the seventh meeting of the United Council of the North and Central China puppet regimes, which was to have been held at Tsingtao first in October then in November, has now been indefinitely postponed. This meeting is to settle the minor differences between the two puppets and to announce the date (fixed by their masters) for the inauguration of Wang's government. The public reasons for the postponement are "a desire of the sponsors of the new central

government to seek British and French (why not American?) understanding and to induce influential Kuomintang members to join Mr. Wang Ching-wei's orthodox Kuomintang before the establishment of the central regime."

The easy Japanese successes in South China have put new life into the military cliques. They will be much more cocky and arrogant, and the chances for concessions to bring about a peace with Chiang Kai-shek are again diminishing. Even Wang Ching-wei has recently come in for some criticism from some of his Japanese sponsors because he stated that with the advent of his regime the Japanese would soon withdraw their troops from central and south China, leaving garrisons only on the border of Inner Mongolia and North China.

A slight rift between Wang Ching-wei and Tokyo is also indicated in a rather bold editorial in Wang's organ, The Central China News. In this, issue is taken with Premier Abe's recent statements that the new puppet should take aggressive steps to induce Chungking leaders to come into the "orthodox" Kuomintang fold; that Japan morally holds the leadership in East Asia; that Japan expects North China and Inner Mongolia to be more closely allied with her than other parts of China; and lastly, that the question of Japanese garrisons in China is part of the general problem of the Anti-Comintern Pact.

It may be, as some people have maintained, that Wang really believed that the Japanese would give him a free hand and that they would actually withdraw their troops upon his request. If so, he is due for a severe disappointment. It is doubtful that he has much room for maneuver now. He is too thoroughly enmeshed in the Tokyo web to be able to extricate much independence for his proposed government. Any struggles now will merely show to the mass of the Chinese Wang's ineffective position.

At all events, the Japanese Government is committed to the policy of creating a central puppet regime. Regardless of the quibbling now going on in China, some sort of a central regime will be established, probably shortly after the first of the year. Whether this new regime will have any greater success than the previous regional puppets is problematical.

3. Tientsin Blockade.

Early this month the Japanese fostered anti-British agitation in North China showed a definite relaxation. Since then there have been some minor intensifications but the general tone is much easier than during the last few months. The Tientsin blockade, however, has tightened considerably, not so much against individuals as against commodities. Since the flood subsided, only one means of ingress, the International Bridge, is now open.

Here the Japanese require that all material be unloaded and inspected before entry. There are many authentic reports of graft at the barriers. Chinese are forced to pay a fee if they wish to pass the barriers under a few hours delay. Shipments of commodities too are permitted preference in the waiting line if the proper palms are greased. Fees for the purpose run from $100 for a truckload of coal to $200 for a truckload of cabbage. As a result of protests, two Chinese scapegoats were arrested and punished but the graft continues unabated. Since these illegal fees run into sizable amounts, the graft thus collected may be an important reason for the continuance of the blockade.

The shortage of coal in the Tientsin concessions will rapidly reach an acute stage. Only driblets are permitted to pass the barriers and each load is sifted before entry is allowed in order, as stated by the Japanese Commander, to prevent explosives from passing in. Shipments by lighter to the British bund would relieve the shortage rapidly, and negotiations for such shipments have been under way for weeks with no tangible results so far. While much coal can be seen in transit on the railways, most of it seems destined for Japan or is being hoarded by the Japanese in control for higher prices. Reports from various sections of North China indicate a shortage of coal for sale throughout this area.

Strangely enough, the attitude of the United States is now being blamed for the continuance of the Tientsin blockade. The Japanese garrison commander at Tientsin, Lieut. General Homma, in a press interview on November 18th stated that if the United States had not stiffened the British stand by announcing the abrogation of the Treaty of 1911, the blockade would have been lifted three months ago.

The professed reason for the Tientsin blockade is that it is a military necessity due to the heavy military action going on in China. The acknowledged reason is to put pressure upon Great Britain to induce her to abandon her "pro-Chiang" attitude. To the local Japanese military this abandonment also includes surrender of silver stocks, suppression of Chinese national currency, and authorization for certain Japanese police activities within the concessions.

In the meantime American interests are suffering. American business is interfered with and is surely being strangled. Americans are no longer able to get food, fuel, and other necessities of life save in the merest driblets and at exorbitant prices. All this is camouflaged behind the fictitious reason of military necessity when there is no military action worthy of the name going on within hundreds of miles of Tientsin.

4. Japan and Russia.

The Japanese press is featuring the recent rapprochement between Russia and Japan side by side with reiterations of Japan's inflexible determination to create The New Order in East Asia despite America's "lack of understanding." Some papers go as far as to intimate that American pressure is driving Japan into Russia's arms.

There is a perceptible movement toward the adjustment of differences between Russia and Japan emanating from Tokyo and Moscow. The Nomohan border commission is actually decided upon and will meet in Chita on December 7th. Talks are to start in Moscow soon regarding a Russo-Japanese trade agreement. There are reports in Tokyo that Japan will really pay the last instalment due on the sale of the Chinese Eastern Railway. All these items are being stressed as indicating the trend in Russo-Japanese relations, hopefully by some newspapers, with reserve by others.

There is a serious necessity for some form of trade agreement between Russia and Japan. A large segment of Manchukuo's foreign trade was her barter agreement with Germany, - Manchurian soya beans in exchange for German machinery. The European war has put a complete halt to this trade. The threat of economic action from the United States is another sound reason for seeking Russian friendship. The pro-axis groups in Japan point to the Russo-German agreement and the significant way the Polish problem was settled. These groups contend that "Britain and America are not in a position to use force to prevent Japan from proceeding with the construction of a new order in East Asia" ..."that America is bluffing"..."that America must make up its mind about war with Germany and is left without real power against Japan." They claim that an alliance with Russia is the only way to settle quickly the China Incident.

On the other hand, basic Japanese policy calls for eventual control of the maritime provinces and removal of "the dagger pointing at Japan" at Vladivostock. Until the China Incident grew to its present magnitude, Russia was the bugbear used as the reason for heavy army expenditures. The creation of a strategic base for action against Siberian Russia was one of the important motives for the Manchurian conquest. The Japanese Army and the masses have been nurtured for the last thirty-five years on the inevitable eventual second war with communistic Russia. Even to-day, among Japanese military leaders in China, they talk of "Der Tag" when they will again fight Russia. Russia too is no doubt aware of

Japanese aspirations. A strong Japan will be a continual menace to Siberia. From the Russian angle it is simple and comparatively inexpensive to keep the Japanese thoroughly occupied in China. Russia might make some barter agreement with Japan if she could drive a profitable bargain. All the advantage is with Russia and the pressure for an agreement must come from Japan.

It is probable, therefore, that Russia will continue to extend aid to China for the present, and should a deal with Japan profitable to Russia and not too strengthening to Japan present itself, Russia will undoubtedly accept. It is hardly likely, however, that any far-reaching pact between these two countries will result. To do so would require a complete and basic change in Japanese policy. Anything short of such a change could not be acceptable to Russia. However, Russia is perfectly willing to gather the temporary fruits of her strong position. At her eastern frontier as well as in the west, Russia is for the present sitting on top of the world.

5. Withdrawal of British and French Troops.

The decision of the British and French to withdraw the bulk of their forces in North China has been hailed by the Japanese press as being in accord with the polite request of the Japanese Government of September 5th to belligerents to withdraw their armed forces from China. The Chinese, on the other hand, as do most foreigners here, see in this a clear-cut sign of knuckling down to the Japanese. They argue that the number of troops transferred can have but an infinitesimal effect on the European battle front; therefore, the move was made only for purposes of appeasing the Japanese and is a definite sign of weakness. The ultimate destination of the troops has not been published. It is probable that the British battalion will be sent to Hongkong to augment the small force there charged with the mission of defending the Crown Colony and New Territories. The Japanese press remarks pointedly that with the withdrawal of British and French troops, the United States will then have more troops in North China than the British and French forces combined.

After the withdrawal and interchange is completed, it is anticipated that the British will have about thirty soldiers in Peiping and about one hundred in Tientsin. The French will have about fifty in Peiping and about four hundred, including three hundred Annamites, in Tientsin. The French plan to remove their guard from their outlying arsenal and concentrate their detachment within the Tientsin concession. The British will no longer have a detachment at Shanhaikwan.

6. Meeting of the Central Executive Committee.

The 6th Plenary Session of the Central Executive Committee of the Kuomintang Party ended on November 19th. Its proceedings were secret and but a few items of discussion and decisions have leaked out so far. The most important news is that the Generalissimo again assumes the post of President of the Executive Yuan, a post which he relinquished to H. H. Kung shortly after the outbreak of the Sino-Japanese hostilities. Kung moves down to Vice-President of the same Yuan but so far retains his portfolio as Minister of Finance. Rumors, however, state that Kung will soon be replaced by T. V. Soong in the Finance Ministry. This last change has been advocated for some time and only the personal differences between T. V. Soong and Chiang have kept Soong from handling the government finances.

The Council also approved the convocation of a People's National Assembly consisting of four hundred delegates to meet November 12, 1940, the birthday of Sun Yat-sen, for the purpose of introducing constitutional government. This move can only be considered a sop to the leftists in the Kuomintang. It is hardly likely that any of the dictatorial powers now in Chiang's hands will be relinquished as long as hostilities continue.

The actions of this session of the Central Executive Committee, insofar as they can be observed from this range, indicate a slight reshuffling and regrouping of forces and factions but no perceptible weakening of the United Front. The move to include T. V. Soong in the government as Finance Minister, if successful, will strengthen the Central Government.

7. Report from Mengcheng.

Foreign reports from Kalgan state that the Mengcheng government is in sore financial straits. Business has been stagnant practically from the start of the Japanese occupation. The lucrative wool and caravan trade is now practically non-existent. Very little in the way of commodities reaches the Suiyuan railway zone partially because of guerrilla activities but mainly because of the grasping and selfish actions of the Japanese monopolies. Payment is offered only in Mengcheng bank notes and at prices fixed by the Japanese themselves.

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CHINA

COMMENTS ON CURRENT EVENTS

January 11, 1940

(No. 1)

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1. General
2. The Military Situation
3. The Proposed Wang Ching-wei Regime
4. Japan and the United States
5. Japan and Russia
6. The Tokyo Cabinet Crisis

1. General.

Despite far-flung military activity, except for the interdiction of the Indo-China routes, there has been no decisive change in the situation. Chinese morale, while not at a peak, is still good, and they claim confidence in their ability to carry on indefinitely. Politically, Japan has made no advance in China. It remains to be seen whether the new Wang regime will actively aid the Japanese cause. Militarily, Japan is unquestionably superior, but she must gain political control at least within the so-called occupied areas before her military conquest can be called complete. As long as an organized Chinese government carries on its war of resistance, that political control will be most difficult to gain.

The strain of two-and-a-half years of war is telling on both contestants. The rapidly changing situation in Europe and our stiffening attitude during the latter part of 1939 have dealt Japan many severe shocks. It is now in the throes of a cabinet crisis. The strain on China too has been great, though at no time since has she reached the low ebb of morale attending the fall of Nanking in 1937.

While the ultimate solution of the "China Incident" will in a large measure depend on developments in Europe, yet the continued strain to which both sides have been subjected cannot be maintained indefinitely. It is not too rash to predict that before the close of 1940 there will be a decisive break in the present stalemate. One side or both will be forced to make heavy concessions. Regardless of the ultimate outcome, it is also easy to predict that North China and Inner Mongolia will remain under Japanese domination.

2. The Military Situation.

As shown in the current Situation Report, there was widespread military activity during the month. Fairly large scale operations took place at Paotow, Suiyuan, near Nanning, Kwangsi, and north of Canton. At Paotow and Nanning

the Chinese took the initiative, while near Canton the Japanese started a push north. All drives were inconclusive and failed in their objectives, though casualties on both sides were heavy. The Japanese still hold the Nanning area with its vital road. They are in full possession of Pacton. At Canton, willingly or not, they are now back in the positions occupied before their drive started.

By far the most important development is the series of bombings of the French Indo-China Railway leading to Kunming, which started on January 1st. This narrow gauge railway winds along a river gorge with many curves and bridges, some of which are difficult to replace. Chungking reports state that material for two complete bridges for this railway is available in French Indo-China. Nevertheless, if one of the important bridges were damaged or destroyed it might take months to erect the falsework necessary for its repair or replacement. Several hits have been registered and at present there is a small break in the railway which will be repaired shortly. Passengers walk and some freight is being portaged around the break. The interruption of traffic on this railway will prove a most serious blow to the Chinese.

A Japanese military representative has been in Hanoi for some time, attempting to negotiate for the stoppage of "munitions" shipments on the railway to China. He also is reported to have requested permission to inspect the roads leading to China, which request was refused. The bombing of this hitherto untouched railway at this time indicates a decided stiffening in the Japanese attitude toward France.

Since the capture of Nanning, the Chinese are reported to be rushing the construction of a road from Caobang, French Indo-China, to intersect the Nanning-Yunnanfu road about 300 kilometers northwest of Nanning. This road, even when completed, will be in constant danger of straffing from low-flying Japanese aircraft. At the moment, movement of supplies from French Indo-China except by pack animal is halted.

3. <u>The Proposed Wang Ching-wei Regime</u>.

All indications point to an early creation of the new central puppet regime. The Japanese Cabinet and The China Development Board have put their seal of approval upon the venture and the "immutable policy" has again been decided. Underneath it all there still remains a lack of unanimity if not open opposition among interested Japanese factions and their Chinese satellites which does not augur well for the embryo government. The die is cast, however, and action may be expected before the end of February. North China and Inner Mongolia will undoubtedly have a full measure of autonomy with only the most tenuous ties connecting them to the central regime. Wang's attempts to open an

office in North China have been halted and the dissemination of the revised Three People's Principles promulgated by Wang's "orthodox" Kuomintang have been prohibited in this area.

The arguments advanced by Wang and his adherents for the formation of the New Government are, first, that the present Chinese tactics of resistance cannot end in ultimate victory, and second, that the Chungking regime is not in a position to negotiate an honorable peace either directly or through third power mediation. Therefore, the Wang group believes it to be their mission to save the country from national extinction by forming a new government and negotiating a peace with Japan. They say that while Japan should not consider herself the victor nor China the vanquished, yet it must not be forgotten that China has lost many troops and a great deal of territory. That the time for compromise has arrived. They believe that in gratitude for Wang's efforts to end the war, the Japanese will grant his government terms much more favorable to China than any of the Chiang regime could hope to secure.

It may be that Wang Ching-wei and his followers really believe that the Japanese intend to allow his government a large measure of independence. Wang's news organs tend to bear this out. They confine their attacks principally to the Generalissimo and speak of the Chinese forces with a fair degree of respect. Adopting the point of view of a neutral, these organs do not hesitate to reports news of Chinese victories or Japanese reverses. All other Chinese newspapers circulating in Japanese controlled territory must refer to the Chinese troops as enemy forces and dare not report any news favorable to the Chungking side. However, if Wang believes that the Japanese military have any intention of relinquishing any real power to him or his government, he is due for a sad disillusionment. Even in Central and South China, where his regime will hold sway, every action and function will be controlled by Japanese "advisers." One has but to look at Manchuria to get the eventual picture.

There is one point of extreme interest to us on which Wang Ching-wei and the Japanese are in agreement, and that is that foreign influence and special rights in China, except for the Japanese, are to be eliminated.

4. Japan and the United States.

In addition to the physical damage to our nationals and their properties caused by military actions of Japanese armed forces in China, and in addition to the violation of the Nine-Power Treaty and the Kellogg Pact, the points at issue between Japan and the United States are definite and uncalled for interferences with out legitimate rights in China. By means of yen backed currencies, exchange control,

control of communication routes, military backed monopolies and intimidation of the Chinese, the Japanese are taking all possible steps to drive foreign trade out of occupied China and to secure a stranglehold on it for themselves.

Now, with the deadline of January 26, 1940 approaching, the Japanese Government is making gestures toward appeasing the United States. Many Japanese consider the proposal to open a small section of the Yangtze and the Pearl River as a large concession to foreign interests. The importance of this proposal lies in the fact that it is the first Japanese concession to outside pressure. In reality these gestures are almost meaningless. The Yangtze below Nanking is the least lucrative from a business standpoint. Our major interests lie in the Middle and Upper river. In the stretch that it is proposed to open, as in other parts of occupied China, the Japanese monopolies and merchants are now well entrenched and so long as the controls and intimidations are continued, foreign trade has little chance to compete in these areas.

The mass of Japanese are worried as to the stand of the United States. No one knows the possible effects of a non-treaty status and the Japanese eagerly and anxiously await a move by the United States toward opening the discussions for a new treaty. Our apparent policy of comparative silence and of leaving the next move up to Japan is keeping them most uneasy.

The Japanese were quite cheered by the announcements by our Treasury and Commerce Departments to the effect that in view of President Grant's proclamation of 1871, no discriminatory action would be taken after the lapse of the treaty. Some papers see in this and other utterances from Washington a promise that the treaty would soon be renewed. Every shred of comment that can be twisted to show that Japanese-American relations are improving is eagerly grasped. In addition, prominent Japanese have broadcast to the United States and to Manila attempts to prove that the establishment of the "New Order" is in no way inimical to our interests. These and other public comments sometimes include veiled implications that Japan is ready to push through with her objectives even though it leads to a complete break with the United States. The Kokomin Shimbun, referring to the proposal to reopen (a part of) the Yangtze, as a Christmas present, says that "should the relations between the United States and Japan fail to be regulated despite the opening of the river, the United States must assume full responsibility for the anti-American sentiment which is sure to follow." A few spokesmen like General Homma at Tientsin occasionally indulge in saber rattling. The bugaboo of an active rapprochement with Soviet Russia is also pushed to the fore.

Thinking Japanese realize that until a trade treaty is actually signed, the United States is in a favorable position to take retaliatory measures against Japanese discrimination. These are willing to go far to placate the United

States. In general, however, the Japanese leaders, both political and military, are anxious to appease us only until their "immutable policy" of a Far Eastern hegemony is well on the road toward accomplishment. Thereafter they feel they can disregard American opinion and pressure with impunity.

5. Japan and Russia.

The close of the year 1939 finds the Japanese and Russian Governments on a better diplomatic footing than for many decades past.

A provisional agreement on the question of fisheries was signed on December 31st, and according to the Japanese Foreign Minister, talks are under way for negotiations leading toward a new treaty on this subject.

Sessions of the Commission for delimiting the border in the Nomonhan area have been held in Chita in a "friendly atmosphere," and will be reopened in Harbin within a few days.

Proposals to the Russian Government to create a commission to delineate the entire border between Russia plus Outer Mongolia and Manchukuo, and a commission for the prevention of and disposal of border disputes were, according to Foreign Minister Nomura, accepted in principle on December 30th.

A Japanese delegation is now in Moscow for the purpose of conducting formal negotiations for a Trade Agreement between Russia and Japan. Talks are scheduled to start shortly after January 10th.

It is difficult to believe that there has been any basic change in the national objectives of either Russia or Japan. It must go hard with some of the Japanese leaders to find Russia so thoroughly engaged in the European theater and yet not be able to take advantage of it. Russia's preoccupation in Europe makes it imperative for her to relieve all possible tension in the Far East. Japan's problems in China, internal pressure, and the questionable (to her) attitude of the United States makes it imperative that she adjust relations with Russia temporarily and concentrate on a solution of the China Incident. The aggressive expansionist aims of Japan cannot but cause an eventual clash with Russia. Both sides know this and both are doing the expedient thing now and jockeying for position for future advantage.

6. Tokyo Cabinet Crisis.

As this is being written on January 11, 1940, the Abe Cabinet is making a fight for its existence. It has been attacked from all sides for almost everything it has done and for many things that it has not done. The most

important faction against the present government consists of the Army group headed by General Hata, the War Minister. While there are many points on which the Cabinet is being attacked, the principal issues boil down to the following:

1. Settlement of the China Incident. Whether to set up the Wang regime or to deal directly with Chungking, and what <u>public</u> peace terms should be offered.

2. The domestic situation with regard to shortages of supplies and labor, and the rapidly increasing price level.

3. Policy toward the United States. Whether a policy of appeasement or one of defiance is best.

4. Rapprochement with Soviet Russia.

The Abe Cabinet, never potent even at its inception, has had a precarious career. With the opening of the Diet within the next few days, it will face its most severe trial. If it falls, as seems likely now, it will undoubtedly be succeeded by a more vigorous group, with the Army faction strongly represented. While the party groups will make a bid for power, it is hardly likely that they will succeed. A change in the Cabinet will probably mean a stiffened policy toward the United States.

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AMERICAN EMBASSY
OFFICE OF THE MILITARY ATTACHE

Chungking, China,
February 2, 1940.

RECEIVED G/2 W. D. MAR 9 1940

Subject: Comments on Current Events (Number 2),

To: The Assistant Chief of Staff, G-2, War Department, Washington, D.C.

1. Wang Ching-wei's Peace Terms with Japan.
2. New Central Government for Occupied China.
3. Relations between China and Soviet Russia.
4. Relations between China and France.
5. Relations between the Central Government and the Chinese Communists.
6. Export of Munitions from United States to Japan.
7. Question of Silver now deposited in Tientsin Banks
8. Local Conditions.

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1. Wang Ching-wei's Peace Terms with Japan

The indifference, referred to in my last "Comments on Current Events", with which both official and non-official circles here have been contemplating the efforts of Wang Ching-wei and his Japanese masters to form a new Central Government for occupied China was abruptly changed into startled attention on January 22nd. On this date Kao Tsung-wu, former Chief of the Asiatic Affairs Bureau of the Ministry of Foreign Affairs, and Tao Hsi-sheng, a former member of the Central Political Council, both former followers of Wang Ching-wei who recently deserted his camp in Shanghai and fled to Hongkong, published the text of an agreement which they alleged Wang had signed with the Japanese on December 30th.

No careful reading of this alleged agreement is required to see that if it is ever put into effect, China becomes an absolute vassal of Japan. As was immediately pointed out in a number of quarters, in comparison with this agreement the Twenty One Demands were mild. The publishing of the alleged agreement produced an instantaneous reaction in Chungking. Chiang Kai-shek on January 23rd issued a long statement addressed to the governments and the peoples of friendly powers in which he pointed out at great length not only the sinister designs of Japan on China as revealed by the document, but also the dangers to other powers from the campaign of aggression which Japan has loosed in Asia. He asked that the Powers vitally concerned in the destiny of the Pacific should cooperate to check Japanese aggression no matter what views these powers might hold towards the European war. Evidently addressing the United States, he expressed the hope that nations which had been supplying war materials to Japan would stop doing so at once.

In a seven thousand word message to the armed forces and civilians of China issued concurrently with his appeal to friendly nations, the Generalissimo analysed in detail each article in the pact between Wang Ching-wei and the Japanese, carefully pointing out what he maintained would be the effects on China. He concluded with the words, "In a nut shell, the secret agreement is more comprehensive and more baneful than the Twenty One Demands served on Yuan Shih-kai by Japan in 1915. If this pact, which

sells out China, is put into effect, China will forever be held in bondage, posterity will be forever enslaved, and the Orient and the world will be overwhelmed by a cataclysm." The local vernacular press, as well as the only English language paper, strongly played up the reports of the alleged agreement and filled their editorial columns with warnings as to the effects the carrying out of the pact would have on China, at the same time condemning Wang Ching-wei in the most scathing terms.

Thus far, Wang Ching-wei's only reaction to the publishing of the alleged agreement has been to declare that as it has been disclosed to the public, it does not represent the terms of any agreement which he has signed with the Japanese, but merely indicates what the Japanese have demanded. His statement is somewhat supported by the fact that on the photostatic copies of the alleged agreement which were sent by Messrs Kao and Tao to the Government here no signatures or chops appear.

What the terms are on which he will settle with Japan, Wang Ching-wei declares he cannot at present disclose, but he commits himself to the extent of saying that China cannot have peace without losing something. This has an ominous sound.

Leaving aside the question of the authenticity of the alleged agreement, its publication has been beneficial for the Central Government of China. For one thing, it has cleared away any doubts, referred to in my last "Comments", which may have existed in the minds of some people as to whether Wang Ching-wei is an out-and-out traitor or not.

The publication of the alleged agreement makes it impossible for any of the war-weary, chicken-hearted, or money-loving in the ranks of the Central Government to give any support whatsoever to Wang Ching-wei's proposed Central Government without incurring the risk of being considered as black-hearted traitors as Wang Ching-wei is now generally declared to be. The stories, to which the undersigned made reference in his last "Comments", that Wang Ching-wei is merely an undercover agent for Chiang Kai-shek and the Central Government, will probably not be heard again.

As long as reports were in circulation, as was the case a few weeks ago, that Wang Ching-wei was stubbornly holding out for a peace which did not completely enslave China he could expect to command a measure of support in some circles at least nominally loyal to Chiang Kai-shek, with a consequent weakening effect on China's power of resistance. Now Wang is universally denounced as a "running dog" of Japan and the undersigned has not heard a single word spoken in his defense since January twenty-second.

2. <u>New Central Government for Occupied China</u>

The birth of the New Central Government for occupied China appears still to be going through a period of difficult labor. Definite results were expected by backers of Wang Ching-wei from the meeting held in Tsingtao last month between Wang Ching-wei, Wang Ke-min, head of the Provincial Government of China, and Liang Hung-chih, head of the Reformed Government. In spite of many vague and conflicting reports appearing in the public prints about the results of this conference, as far as can be determined the principal one was a decision to hold another conference in Shanghai in February at which a Central Political Council will be formed, which in turn will establish the New Government.

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According to press reports, the Shanghai meeting will be attended by members of the Kuomintang (Wang Ching-wei brand), by the representatives of the Provisional, Reformed, and Inner Mongolian Autonomous Governments, and "other political parties". Just what the "other political parties" are has not been reported. Another tangible result of the Tsingtao conference was the announcement that after the formation of the New Central Government, North China would have a more or less autonomous status under a governing body resembling the Hopeh-Chahar Political Council which, under Japanese domination, controlled these two provinces just before the war.

A noteworthy feature of the Tsingtao conference was a love feast, in the form of a banquet, at which Wang Ching-wei and Wang Keh-min each praised the other for his good works on behalf of China and peace in Asia. This was doubtless intended to counteract reports which have been freely circulated in the past that Wang Keh-min has consistently blocked Wang Ching-wei in the formation of a New Central Government. It would thus appear that if Wang Keh-min's opposition has been overcome, it is probably because it has been agreed that North China will be subject to the New Government in name only.

An interesting report about some of the difficulties attending the formation of the New Government recently emanated from Central News. According to this report, the Japanese backers of Wang Ching-wei, Wang Keh-min, and Liang Hung-chih are intensely jealous of one another as each is determined to keep as much power as he can in China after the formation of the New Government. Accordingly each works through his own particular puppet to block the others.

Wang Ching-wei, Wang Keh-min, and Liang Hung-chih are backed, respectively, by Colonel Kaseda, Major General Kita, and Colonel Harada. The writer knows nothing about the two Colonels but is familiar with General Kita's work in connection with the establishment of the Provisional Government in Peking in 1937. As this Government was spawned almost entirely by General Kita, the writer has always felt that he would look on the formation of a new central government, with the possibility that its inception might decrease the power of the Provisional Government, with anything but a favorable eye. Hence it is believed that the reports about dissension among the backers of the puppets who are now going through the motions of setting up a new regime in China are probably true. Certainly these reports are consistent with others which have been in circulation for some time that intense jealousy exists in the Japanese Army among various factions and leaders.

Thus in spite of "great argument about it and about", the New Central Government for occupied China appears still in somewhat of a nebulous state, but at least since the publication of the alleged terms of Wang Ching-wei's agreement with Japan, no one can longer entertain any hope that the establishment of the new regime, if and when it comes, will please anyone except the enemies of China.

It is interesting to speculate by whom the New Government is to be established, whether by the Japanese Government or the Japanese Army. That the Japanese Army, which has fought, bled and died to conquer part of China, will have the principal say, would appear a foregone conclusion. This of course brings up the point which one hears so frequently discussed as to whether or not the Japanese Army is really the Japanese Government. From this distance it would appear that if the Army is not the real government of Japan, it is every day becoming more nearly so. Certainly the subterfuges, if not the actual skulduggery, which had to be

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employed in Japan recently to get Admiral Yonai appointed Prime Minister when the Army wanted General Hata, would tend to support this thesis.

The undersigned has ventured to point out to some of his Chinese friends upon whose discretion he can depend that probably the best friend China has in the world today is the Japanese Army, for it is the Japanese Army which has caused the birth of a new and at least partially united China, and it is the Japanese Army which, if it continues on its present course, will probably eventually bring about the downfall of Japan.

3. Relations between China and Soviet Russia

As far as can be determined, the Chinese Government is not quite so apprehensive at present that Japan and Russia will effect a rapprochment as has been the case for the past two months. The recently reported break-down in negotiations concerning the delineation of the Manchuria-Siberia border in the Nomenhan area and recent condemnation of Wang Ching-wei in the Moscow "Pradva" have apparently contributed to this feeling.

Foreigners who have dealings with Chinese military officials give it as their impression that Russian influence in military circles is constantly increasing, as is evidenced by a steadily growing number of Russian advisers and technical experts employed by the Chinese. A German technical adviser on heavy artillery who was retained in Chungking after the rest of the German advisers had departed, is reported to be doing little but draw his pay as Russians are now carrying on his work. A young Swiss who was formerly employed with Chinese guerillas operating near Canton, and is now in Chungking seeking a job, states that his efforts to find employment with the Chinese army are blocked at every turn by the preponderance of Russian influence.

The trouble in Kansu between the Communists and Central Government forces, commented on in my last "Comments on Current Events" has given rise to speculation as to the effect this trouble will have on relations between China and Soviet Russia, for while it has never been conclusively proved that the Chinese Communists are directly backed by the Soviets, it is generally conceded that there must be some bond, probably cemented by money and supplies, between the Chinese Reds and their comrades in Russia. According to a source in Chungking which is very close to the Communists, a definite indication as to the effect of this trouble on Soviet-Chinese relations is seen in the statement which Molotov, the Russian Foreign Commissar, recently made to General Ho Yueh-tsu, Chief of Staff of the Headquarters of the Military Affairs Commission, who is now in Russia on a special mission. Molotov is said to have told General Ho that while Russia intends to continue and may even increase her present aid to China, particularly in the way of supplying ammunition, such aid will abruptly cease if it is used to carry on civil war, that is, to fight the Chinese Communists.

4. Relations between China and France

An American foreign service officer in Hanoi states that according to reports in circulation there, the Japanese have recently demanded of the French that shipments of war materials to China over the Indo-China Yunnan Railway shall cease. The fact that there have been no further bombings of the railroad in China since January 7th, is attributed, according to our official source, to the fact that the Japanese desired to see what results

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could be brought about by this pressure before making further attacks upon the railway.

Nothing tangible has appeared concerning the results of these negotiations, but according to the reports of our foreign service officer in Hanoi, they are generally believed to have reached no definite conclusion. As yet, however, no further bombings of the railway have been reported.

It seems highly improbable that Japan will cease to apply pressure on France to discontinue shipments of war materials to China through Indo-China, particularly as the Yunnan railway is one of the most important of the few remaining routes by which China can import munitions. The two clubs which Japan holds over France are the threats of sending Japanese troops toward the Kwangsi-Indo China border and of bombing the railway. At the present time, Chinese official sources declare, and appear to be telling the truth, that there are no Japanese troops near the border, but such a condition can of course change at any moment. As far as bombing the railway is concerned, one would expect this to be resumed unless France meets Japan's wishes in a very definite way.

Conflicting reports are received as to the length of time which will be required for normal traffic service to be restored on the Yunnan Railway since the bombing early in January when the "Lace Bridge" was considerably damaged and another smaller bridge almost totally destroyed. According to the most optimistic estimates, however, the repairs cannot be completed for at least another month. Meanwhile the railway is capable of shipping 200 tons a day of parcels not exceeding 40 kilos in weight each by having the freight carried around the broken bridges. The completion of a temporary wooden bridge which is now under construction at the point where the most serious damage was done will serve to increase this capacity.

The Chinese are reported to be making efforts, through Chinese Chambers of Commerce in Indo-China, to persuade French shippers to restrict the amount of their shipments to as great an extent as possible in order to leave as much tonnage as possible for Chinese military use.

5. Relations between the Central Government and the Chinese Communists

As far as is known there have been no important developments in relations between the Central Government and the Communists since my last "Comments on Current Events" was written. As indicated in my radio Numbers nineteen and twenty of January 20th, the trouble between the Communists and Central Government forces in Kansu and the recent dissension in the ranks against Yen Hsi-shan's army are more or less connected. Although the above mentioned radios indicate that the Central Government may be considering severe measures against the Reds, no evidence is yet discernible that such measures are to be put into effect. The writer does not expect them to be.

Recent reports from a source close to the Communists indicate that the Central Government may make a decided increase in the money now alloted to the Red Army. For some time the Central Government has been giving the Reds enough funds to maintain three divisions, although the actual number of troops in the Red Army is of course much greater. The difference has to be made up by the Reds themselves, largely from such taxes as they can collect in the area under their control. According to the reports, the funds may be increased enough to maintain seven divisions.

Reports from Communists and official Central Government sources differ as to whether any of the Red troops in Shansi left the front in December at the time of the clashes in Kansu between the Communists and Central Government forces. According to the former source, no Red troops left the front, but inasmuch as official sources state that the return of the Red Troops to the front is now one of the outstanding issues between the Communists and the Central Government, it would appear that the official report is probably correct in this respect.

Communist sources report that the Central Government decided at the end of last December to reduce to nine the number of hsien in the Shensi-Kansu-Ninghsia Border Area, which is the official name of the Red controlled territory. The Reds have always maintained that their territory, according to the agreement made between Communists and Chiang Kai-shek in 1937, includes twenty-three hsien, but the Central Government has long maintained that this agreement provided for only eighteen hsien to be under Communist control. This report about the reduction in the size of the Red Area will be followed with interest as it indicates that the friction between the Central Government and the Communists may be expected to continue.

6. Export of Munitions from the United States to Japan

There appeared to be little apprehension felt here that the expiration on January 26th of the Treaty and Protocol on Commerce and Navigation of 1911 between the United States and Japan would bring any dire consequences, such as bombing, on Chungking. With cloudy weather now prevailing practically every day, it was manifestly almost impossible for the Japanese to bomb the city and there was nothing else that they could do to harm either Chinese or foreigners in Szechuan.

Evidences are not lacking that the Chinese view with increasing resentment and alarm the reports from the United States that Congress is unlikely to do anything, for some time at least, to effect a decrease in the shipments of war materials to Japan. The tone of the press, while still restrained, is becoming noticeably more sharp, and articles appear daily urging that some action be taken which will work to restrain China's enemy. Most of these articles point out, as appears obvious to the writer, that if the United States is a friend of China, why does she continue to help Japan? Another comment frequently noted is that if the United States contemplated no action to reduce the sale of munitions to Japan, the abrogation of the treaty was a meaningless gesture.

A widely travelled and well educated Chinese who holds a position of some importance in one of the Chinese ministries, a few days ago spoke more feelingly to the writer on the subject of the United States' munition exports to Japan than any other Chinese has spoken before. He begged the writer to use whatever influence he has with the United States Government to bring about some definite result in the way of reducing these exports. It was evident that he felt deeply and bitterly on the subject, and efforts to point out the fact that because the United States is a democracy she must of necessity move slowly in a matter as important as trade relations with Japan, seemed to make little impression. It is needless to add that the writer also tried to make clear that the influence of an Assistant Military Attache with the United States Government is not very great.

It is believed that thinking Chinese in Free China generally feel very bitter on the subject of the export of war materials to Japan, and as far as the writer is concerned, the feeling appears to be perfectly justified. Certainly the Chinese cannot

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be blamed if they cannot understand why, when careful surveys have shown that public sentiment in our country is overwhelmingly in favor of China, the United States should continue to help Japan who is not only openly determined to swallow China, but at the same time is constantly showing the most callous and insulting disregard for our interests.

It appears useless, from the experience of the writer, to attempt to point out to the Chinese that fear of war with Japan in certain circles in the United States restrains to some extent congressional action to control sales of war materials to Japan or to impose an embargo on Japanese exports to the United States. The Chinese with whom the writer has discussed this point appear totally unable to understand how any sane man could envisage Japan making war on the United States unless the Japanese Army and Navy should completely lose their heads and engage in a conflict which would be tantamount to national suicide.

The writer believes that in Chungking at least the steadily growing feeling of resentment against the United States because of her present inaction in the matter of stopping the selling of war materials to Japan might easily develope into an outburst of anti-Americanism which might have serious results.

7. Question of the Silver now Deposited in Tientsin Banks

It is generally understood that negotiations between the British Ambassador and the Chinese Government concerning the disposition of the $40,000,000 in silver now held in Chinese Banks in the British Concession in Tientsin is one of the important reasons for the continued presence of the Ambassador in Chungking. It is known that several proposals for the disposition of this silver have been advanced; one by the Japanese that they buy it at current rates, and pay in Federal Reserve Bank notes which would then be expended for relief in North China. This of course would be equivalent to making the Japanese Army a present of $40,000,000 in silver to enrich the war chest, or possibly some Japanese generals, in return for currency which would cost the Japanese Army practically nothing.

Another proposal is that the silver should be sold for pounds sterling which would in turn be bought with Chinese national currency by the Chinese Banks now holding the silver, the Chinese national currency then to be expended for relief under the supervision of the International Famine Relief Commission. This plan would work to the advantage of the Chinese Government in that it would leave the banks in possession of sterling which could be used to buy war materials from abroad. That the Chinese will accept the former proposal or the Japanese the latter, seems unlikely.

Foreign sources close to the Ministry of Finance state that the Chinese Government has long since given up hope of recovering this silver, and would care little if the Japanese Army were to seize it by force. Such a seizure, according to the same source, is regarded in Chinese government circles as more preferable than that the disposal of the silver should be decided through the agency of a third power, such as the British Government. The British Government, on the other hand, is unwilling to see the silver taken by force because of the unfavorable effect this would have upon the already almost non-existent prestige of the British Government as far as its ability to defend the British concession in Tientsin is concerned.

Judging from the frequency with which Great Britain has yielded to Japan of late, the writer ventures to predict that Great Britain will eventually yield to Japanese demands concerning the silver in Tientsin and we expects to see it handed over on terms suitable to the Japanese Army.

8. Local Conditions

According to Central News, the Szechuan Provincial Government, of which Generalissimo Chiang Kai-shek is the Chairman, aims at the complete suppression of the opium traffic in this province by the end of March. The Generalissimo has been designated by the Executive Yuan as in direct charge of this campaign against opium. To assist in the campaign, so states the report, one hundred and sixty three special hospitals will be established and in these institutions addicts will be given free treatment, board, and lodging while being broken of the opium habit.

It is believed that a report of this kind does harm by giving critics of the Chinese people a chance to accuse them of hypocrisy and insincerity, for it is manifestly impossible in Szechuan Province, where opium for years has constituted one of the most valuable, if not the most valuable crop, to stamp out the trade in the drug in so short a time. The writer has no desire to make light of any efforts to control the opium traffic, but it does appear rather foolish to set a date so near in the future for the complete eradication of an evil shich has existed for so long.

It is, however, encouraging to note that the Generalissimo is publicly identified with efforts at opium control. His stand in this regard appears the more admirable in contrast to the utter callousness and indifference with which the Japanese, and the Chinese puppets controlled by them, encourage the opium traffic in North China. Reports from missionary circles state that the opium habit is spreading in the Japanese Army in occupied China. If this is the case the Japanese military authorities have no one to blame but themselves.

A grand celebration of the anniversary of the founding of the New Life Movement is planned to begin on the 16th of February. Features of the celebration, according to the press, will include a drive to increase to one hundred thousand the members of the Society of Friends of the Wounded, a publicity campaign against opium smoking, a mass wedding, a drive to provide 200,000 pairs of cloth shoes for the army, and a number of athletic contests.

While thoroughly approving the aims of the New Life Movement, the writer is inclined to doubt, from personal observation, if it has accomplished much since its inception, although many of his missionary friends would certainly disagree with him in this opinion. If improvement in the standards of cleanliness among the Chinese common people is any criterion by which to judge the results of the movement, it would appear to have been a wretched failure in the villages of Hsin Kai and Huang Kou Ya, located on the bank of the Yangtze directly opposite to Chungking. These two villages are easily the dirtiest the writer has ever seen located so near a large city, especially one of the outstanding importance of Chungking as the War-Time Capital of China.

Overcrowding due to boom conditions in Chungking and its environs may be largely responsible for the filthy state of the streets in the two villages named above, but if the promoters of the New Life Movement are interested in making a showing, they can easily find a field for their endeavors without travelling more than a mile or two from the center of Chungking. Incidentally, they could find plenty of work in the city itself.

Harold D. Barrett

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Enclosure: "China Forum" for January 27, 1940, containing full text of Wang Ching-wei's alleged agreement with the Japanese.

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WAR DEPARTMENT

AMERICAN EMBASSY
OFFICE OF THE MILITARY ATTACHE
Chungking, China.

January 8, 1940.

Subject: Comments on Current Events.

To: The A.C. of S., G-2, War Department, Washington, D.C.

1. Strife between Communists and the Central Government.
2. Trouble in Shansi.
3. Coming Year for China.
4. Relations with France.
5. Relations with Thailand and Burma.
6. Yunnan.
7. New Central Government for Occupied China.
8. Position of Chiang Kai-shek.
9. U.S. Export of Munitions to Japan.
10. New Year's Celebrations.
11. General Local Conditions.
12. Transportation.
13. Peace Talk.

1. Strife between the Communists and the Central Government.

Disquieting reports have recently been received of armed clashes between Communist troops and those of the Central Government on the western border of the part of Kansu which is controlled by the Reds. Most of what has been heard ~~on the subject~~ has come from newspaper men, as official circles, who consistently never mention anything unpleasant if it can be avoided, have had little to say on the subject.

As far as is known, the clashes began on a small scale about the middle of December and have gradually become more serious. Nothing definite is known concerning the number of troops engaged on either side, but reports from well informed sources state that there are at least fifteen or sixteen Central Government Divisions near the area where the trouble is reported.

According to the Red side of the story, as it comes from the newspaper men, the Communists last year obtained the consent of Yen Hsi-shan for them to station a regiment in Suiteh, Shensi, where an important pass leads out of Red-controlled territory. When the Red troops entered the town, however, the local magistrate, a Red-hater who had either not heard that Yen Hsi-shan had given his permission or chose to ignore the fact, complained to the Central Government and shortly thereafter Central Government troops began attacks on towns in the western part of Red territory in Kansu.

The Central Government version, as given by a high Chinese official to a member of this Embassy, is that the trouble was caused by Red encroachments on certain grazing lands lying outside their territory. Well informed foreign observers, however, feel that the trouble has probably arisen out of the age-old tendencies of factions in China to squabble over tax receipts.

It is probable that the facts in this situation will not be known for some time, if ever, as reports from both sides must be weighed very carefully. While the Chinese official mentioned above was probably stating the truth as far as he knew it from the reports of authorities of the Central Government in the area concerned, such reports are of course very likely to place all the blame on the other side. From past experience the writer would be more inclined to give credence to the Red side of the story if it had been received direct, but thus far it has been heard only through third parties.

A disquieting feature of the situation are the reports that Red forces in Shansi are crossing the Yellow River into Shensi to defend their territory. If this is the case, it might leave the Japanese a free hand on the portion of the front which the Reds are supposed to be holding. Reports have been received that the Jap-

anese have recently withdrawn a division from the Red front, probably because they want to use it somewhere else, but possibly because of a desire to permit as many Red troops as possible to engage in internecine strife with the forces of the Central Government.

The dislike and distrust with which the Central Government regards the Reds becomes increasingly evident. High officials here in Chungking have recently spoken contemptuously of the part played by the Reds in the war, stating that they can do little more than harass the Japanese to a certain extent. The Reds are also accused of receiving help from Russia,- according to all reports they receive precious little from the Central Government,- and it is claimed that in some parts of the Red controlled areas the farmers are groaning under regulations which compel them to give up such a large part of their crops to the government that they cannot live. The statement of a vice-minister of an important Yuan, as reported in my radio Number 190, to the effect that after the war the Reds would have to be put down is believed to represent the opinion of most of those now in power in the Central Government.

It is perhaps unfortunate that the reports of those who favor the Reds are so highly colored, for otherwise they would probably carry more conviction. There is undoubtedly much of truth in the wildly enthusiastic reports about the Reds which come from Mr. Edgar Snow, Miss Agnes Smedley, Miss Nym Wales (Mrs. Edgar Snow), Captain Evans Carlson, and others, but to the person who has not visited the Red areas it would appear that if ~~they~~ the Reds are as good as these persons claim, they are not Chinese at all, but granted that they are that good now, it will be difficult for them to keep up the pace. But even Colonel (now General) Stilwell, a fairminded observer if ever there was one, reported last year that the Reds in Shansi were undoubtedly doing their best to help the people, particularly by reducing rents.

Reports from many different sources confirm the accusation, if it can be called such, of the Central Government that the Reds receive supplies and possibly money from Russia, but judging from the difficulty with which they maintain themselves the amount of the aid would not appear to be very great, and under the circumstances the Reds can hardly be blamed for accepting help from anyone who will give it to them. An American newspaper man who visited the Reds in Shansi in November reports that ~~the contrast between~~ their thin, ragged, cotton uniforms and their Spartan fare ~~was~~ were in decided contrast to the thick padded clothes and solid meat rations of the Central Government troops in the same province.

~~While~~ The reports of the clashes between the Reds and Central Government troops in Kansu are disquieting in that they indicate a weakness in the unity which is so desirable if China is to keep up resistance. They also give the impression that the Kuomintang has learned nothing from the war about the desirability of allowing all factions in China a voice in the conduct of national affairs. That the results of the clashes, however, can be very disastrous is doubted. As Colonel Stilwell stated last year, even if all the good things said about the Reds are true, they are too few in number to be able to affect the military situation to a great extent. Hence if the Central Government should lose the entire fighting power of the Reds, China's power of resistance would not be materially affected.

2. Trouble in Shansi.

Reports difficult to check but coming from several reliable sources state that serious friction has developed between the "new" and the "old" part of Yen Hsi-shan's army in Shansi. The former consists of young men of radical tendencies, but not Communists, who were recruited two years ago, while the "old" is made up largely of men who have followed Yen for some years. The trouble is said to have come to a head in December when the new troops celebrated the second anniversary of their service. Whether or not there has been any actual fighting is not known.

Yen is supposed to favor the old troops, which are better concentrated than the new. It is further reported that the high command

in Chungking favors the elimination of the more radical elements in the new army, but just how this elimination is to be effected is not stated.

Official circles here admit some trouble in Yen's camp, but state that it will be easily settled. Nevertheless, coming at the same time as the reports of trouble between the Reds and the Central Government in Kansu, the stories of Yen's difficulties are disquieting and will be closely followed. Like most other troubles in China, it will probably blow over.

3. Coming Year for China.

The general tone of pronouncements of those high in authority and of the press doncerning the prospects ~~during~~ for the new year appear in general commendable for their lack of bombast and a sound view of the realities of the situation which faces the country. The Generalissimo took as the dominant note of his New Year's Day message to the Chinese people an appeal to support enthusiastically the campaign for National Spiritual Mobilization in order to combat the "spiritual offensive" of the Japanese which he declared would doubtless be intensified during the coming year.

The Generalissimo warned that while the previous efforts of the Japanese to break the Chinese morale had not succeeded, it was not to be expected that these efforts would be abandoned lightly and even though final victory might be near, as the war dragged on hardships might be expected to increase. He appealled to the people to devote their entire time, attention, talents, and "even their lives" to their country. Repeating the familiar slogan that those who had strength should give strength and those who had money should give money, he added that this was not enough, but that those who gave strength should also give money and those who gave money should also give strength. He urged those living in occupied areas to rise against the invader and promised them the support of the nation's armed and civilian forces.

To the writer the appeal seemed to harp a little too strongly on intangible "spiritual mobilization," which is difficult for him and possibly for the Chinese to understand, but still the lack of extravagant claims of immediate victory and the calm appreciation of difficulties ahead carried considerable conviction.

In a 3,500 word New Year Report, Dr. H. H. Kung, vice-President of the Executive Yuan and concurrently Minister of Finance, claimed that China's finances were in excellent condition due to the solid foundation laid in peace time, the successful prosecution of the war, the good crops of last year which favorably affected the agricultural basis of China's internal economy, the concentration and profitable investment of China's urban capital, the huge remittances and contributions from overseas Chinese, and the cooperation of friendly nations.

Dr. Kung maintained that in spite of losses to her Customs, salt, and consolidated revenue through enemy occupation of rich coastal and other key cities, Chinese citizens had been relieved of fiscal burdents through tax reductions during the past year, citing the reduction of customs duties on imported products required by native industries and the Army and the abolition of transit taxes on native goods, which last named he said would go into effect on January first. He emphasized the favorable contrast between China's financial situation and that of Japan, whose prewar budget of 2,300,000,000 yen has been increased six-fold for 1940.

The writer is not enough of an expert on finance to comment on Dr. Kung's statements, but it is pertinent to note that there have been no considerable fluctuations in the Chinese dollar for some weeks now, and experts predict that stability will prevail for some months at least.

The Chinese press, while containing some fireworks for popular consumption, was generally restrained concerning prospects for the New Year. The influential "Ta Kung Pao" predicted that 1940 will be the most crucial year of the war, but pointed out that the

many difficulties still ahead for China will demand the strengthening of national unity, the achievement of greater administrative efficiency, the speeding of economic reconstruction, and the observance of strict discipline of the people.

The "Hankow Herald," the only local paper publish in English stresses the point that only two important cities, Nanchang and Nanning, have fallen to the Japanese during 1939.

It is interesting to note that at a time when the Japanese press is pressing for better relations with Russia, the Moscow "Pradva" should have recently declared that the Chinese army is gradually growing stronger, while the Japanese now do not have enough forces at their command in China to insure the favorable development of large scale military operations.

The generally sensible tone of the statements summarized above supports a report from Mr. James Young, a newspaper man of long experience in Japan, who recently visited Chungking. According to Mr. Young, he found the Chinese much better informed about conditions in Japan than the Japanese were about conditions in China; and that while the Chinese appeared to be pinning great hopes on the ultimate collapse of Japan under the misrule of the militarists, they were not generally hopeful that such a collapse would come in the near future or would ever come unless China continued the most stubborn resistance.

On the other hand, according to Mr. Young, even supposedly well informed Japanese were generally ignorant as to conditions in free China and as to the extent of support which Chiang Kai-shek still commands from the Chinese people.

4. Relations with France.

It is generally admitted in informed circles that relations between China and France are in a delicate state. The Chinese admit that when the Japanese troops, immediately after the capture of Nanning (November 24, 1939), approached very close to Lungchow, on the Chinese-French Indo-China border in Kwangsi, and again when in December Lungchow was actually occupied by the Japanese, the French made strong representations through the Chinese Ambassador in Paris, urging that immediate steps be taken to drive the Japanese away from the border. French official circles here also admit that these representations were accompanied by hints, polite but none the less clear, that failure to keep the Japanese away from the border might necessitate the closing of the Haiphong-Kunming Railway to shipments of munitions into China.

The recent bombing of the part of this railway in China in an attempt to destroy important bridges has caused a considerable commotion in local French official circles who claim that they some time ago requested the Chinese government to take steps to defend the railway from bombing, but that nothing has been done in this direction. The French state that the Central Government, through dislike of possible offense to the Governor of Yunnan, General Lung Yun, does not wish to use its own troops to defend the railway, while Lung Yun, either through intention or neglect, has done nothing about it. The French claim that a few machine guns properly placed at important bridges and other vital points along the railway would provide sufficient protection.

Chinese official circles express irritation over the French insistence that Japanese troops be kept away from the border of Indo-China, maintaining that this fails to take sufficient cognizance of the exigencies of war. They admit, say the Chinese, that the French may not like to have Japanese troops near their territory, but they cannot see that the French are justified in making what amounts to threats of retaliatory action should the Chinese be unable to keep the Japanese away.

Conversations between members of this Embassy and French officials lead to the conclusion that France is genuinely puzzled as to the best course for her to take toward China and Japan.

According to these officials, France does not want to abandon China in her hour of need, particularly as she does not want Japanese troops in occupation of provinces contiguous to Indo-China. On the other hand, France feels that too strong a China and too weak a Japan might not be a good thing for French interests in Asia, as Japanese is considered a better barrier against Soviet influence than China.

It is easy to see why France fears the influence of Soviet Russia in Indo-China, as communist propaganda might stir up trouble among the none too well satisfied Annamites, but it is difficult to understand why China, with her long record of deep seated opposition to communistic doctrines, should be considered inferior to Japan, who is now more or less openly courting a rapprochement with Russia, as a bulwark against bolshevism.

The delicacy,- "tensity" seems too strong a word, of Chinese-French relations has been favorably affected by the fact that Japanese troops have been driven back from the Indo-China border. Should the Japanese again approach the border, however, or if they should seriously damage the Yunnan Railway, the situation may be expected to become more serious.

The undersigned is of the opinion that the French, even though they may dislike to throw China to the wolves, will not hesitate to close the Yunnan Railway to Chinese military traffic if they decide such a step were necessary for the protection of Indo-China and the Yunnan Railway. Such a step would be most embarrassing to the Chinese, as it would leave only the Burma Road and the long and tortuous route from the Turk-Sib Railway through Sinkiang to Lanchow, Kansu, as routes over which munitions could be brought into China. As further bombings of the Yunnan Railway appear likely and as the present inactivity of the Chinese in Kwangsi makes it seem probable that Japanese troops may again approach the Indo-China border, the writer is not optimistic concerning the future state of relations between China and France.

5. Relations with Thailand and Burma.

It was announced on December 30th that following an exchange of telegrams between Chiang Kai-shek and the Premier of Thailand, protection is assured by Thailand to the lives and property of Chinese engaged in lawful pursuits in that country. The initiative in this matter came from the Generalissimo, who sent a telegram couched in friendly terms emphasizing the long record of good relations between China and Thailand and conveying the request that the safety of Chinese nationals be guaranteed in the latter country. An official source reveals that this telegram came as such a surprise to the Thailand Government that it was not accepted as genuine until its authenticity had been confirmed.

Whether or not the exchange of telegrams will result in any great improvement in the treatment which Chinese receive in Thailand remains to be seen. Hostility to the Chinese in Thailand, as in the Philippines, is largely the result of the fact that Chinese merchants, because of their business acumen, capacity for hard work, and ability to live on very little, are difficult to compete with in business and consquently they often incur the hostility of the natives because the Chinese frequently prosper where the natives can make very little. This is a condition which no amount of guarantees can altogether remedy.

The exchange of telegrams should have good effect, however, in that it should tend to promote friendly relations between China and a country in which Japanese propaganda has been spread with great diligence for some time. Recent reports from Thailand state that informed quarters in that country are becoming increasingly aware that selfish motives are behind the Japanese propaganda, and this feeling may have been reflected in the recent manifestations of good will on the part of Thailand toward China.

Chinese nationals in Burma often incur the same hostility as they do in the Philippines and in Thailand, and for the same reasons. While the recent visits of the Burma Good Will Commission to Chungking, and of a delegation of Chinese Buddhist monks to Burma may not affect any sudden or decided change in this condition, still the visits should certainly do more harm than good. The Burmese delegation was very cordially received in Chungking and the press devoted much space to complimentary accounts of their activities both here and in other cities visited.

6. Yunnan.

The persistency of rumorsthat Yunnan will break with the Central Government suggests that they are kept alive by Japanese agents, as a careful examination of the situation fails to show any definite evidence that General Lung Yun, Chairman of Yunnan, is contemplating any such step. It is to be expected that Lung, who for years has ruled almost independently of the Central Government, should view with some misgiving a possible curtailment of his authority because the fortunes, or misfortunes, of war have brought the power of the National Government much nearer to his province than ever before.

That Lung Yun would risk an open break with Chiang Kai-shek is believed unlikely because it appears that Lung would lose more by such a step than he could hope to gain. If he breaks with Chiang he would probably have to receive support either from Japan or France. Just what Japan could do for him at the present time, outside of paying him a direct subsidy, a form of assistance which Japan is not likely to extend in the present state of her finances, is difficult to see. As far France, it seems more likely that she would step in and assume control of the province hereself if it were divorced from the rest of free China than that she would be interested in maintaining the independence of a rebel province.

Foreigners familiar with conditions in Yunnan state that while some of Lung Yun's influential followers favor a break with Chiang Kai-shek, the Governor, who holds the whip hand in provincial affairs so far, is not in favor of such a step. His recent appointment as Director of the Generalissimo's Provisional Headquarters in Yunnan certainly does not indicate bad feeling between him and Chiang Kai-shek. In passing, the establishment of these headquarters gave rise to some talk locally that the Generalissimo would abandon Chungking. Persons who listened to such talk failed to note the use of the word "Provisional" or to remember that similar headquarters have been established for some time in Sian (recently removed from Tientshui, Kansu) under Cheng Chien, and in Kweilin under Pai Chung-hsi.

Reports from well informed sources state that after the fall of Nanning, Lung Yun put pressure on the Central Government to grant him virtual control over Kweichow by appointing his henchman, General Lu Han, as Governor of that province. Lung is also said to have asked that six of his divisions be sent back from the front and that he be given funds to train new troops. If the requests were granted, so state the reports, Lung was willing to fight the Japanese. Incidentally, he is supposed to have stated recently that he was willing to fight any enemy which attempted to invade Yunnan, and some persons think he meant the Central Government as well as Japan. It is reported that the Central Government agreed to Lung's request that Lu Han be appointed Governor of Kweichow, but the appointment has not yet been gazetted, although there has been some talk in the public prints that it might be made.

Living conditions are bad in Kunming now, another possible reason why Lung may not be anxious to break with Chiang Kai-shek. Food prices are exorbitantly high, and much suffering is reported among the poor and among the thousands of students of the Consolidated University, many of whom do not receive adequate support from their homes, which in many instances are very far away. Some of these students are reported in actual danger of starvation and Chiang Kai-shek is said to be making an investigation with the idea of extending some

measure of relief.

7. New Central Government for OccupiedChina.

Chinese local official and unofficial sources appear to be paying little attention to the reported impending formation of a new Central Government, headed by Wang Ching-wei, for occupied China, except that officials and the press comment from time to time with evident satisfaction on the difficulty with which the formation of the new regime is being attended. The general attitude toward Wang is one of contempt, and one often hears the opinion expressed that he will be of little use to the Japanese as the head of a puppet regime.

In the local press, fulminations against Wang Ching-wei now seldom appear, incontrast to a month or so ago when scarcely a day passed without some high official or important body denouncing him in ~~the press~~ print. So regularly did the denunciations appear that their inspiration by authority was obvious, and the opinion was expressed in both foreign and Chinese informed circles that the damning of Wang was being overplayed to the point of making him appear more important than he really was.

A story which has been heard quite often since Wang's defection and may be expected to crop up again, is that he is actually not a traitor at all, but is merely playing the part of one to deceive the Japanese with the full knowledge and under the direction of the Generalissimo. This sort of story savors too much of the sensational type of spy novel to appear worthy of credence. Much more credible, however, are reports that representatives of Wang, or if not representatives at least persons on very friendly terms with him, have recently visited Chungking and interviewed high officials of the Government. Specifically, Mr. Ku Meng-yu, aformer Minister of Railways and long an adherent of Wang Ching-wei, is reliably reported to have been in Chungking recently and to have talked with Dr. Wang Chung-hui, the Foreign Minister, and with Mr. Wang Chieh-shih, the Minister of Publicity, but if this is the case, nothing is known of what they talked about.

In an article entitled "Position of Wang Ching-wei, Puppet or Patriot," appearing in the December issue of "Oriental Affairs, it was argued that recent events clearly indicate that Wang has no intention of becoming the puppet head of a Japanese military protectorate. In support of this contention the article states that Wang has demanded ameasure of independence for any government which he heads which it is unlikely the Japanese Army will grant, but that these demands show that Wang is anything but a willing tool of Japan.

In any event, it would appear that if Wang Ching-wei were the complete sell-out to Japan that he is popularly given credit for being, the new Central Government for occupied China would probably have come into being some time ago, in spite of the alleged opposition to its formation on the part of the Provisional and Reformed Governments.

8. The Position of Chiang Kai-shek.

With a New Year just beginning, it is natural to speculate on Chiang Kai-shek's prospects for 1940. As far as the writer is concerned, he cannot discern any tangible indications that Chiang's position will be weakened in the near future, barring some unexpected development affecting China from outside the country. That there are among the followers of Chiang Kai-shek some who are disloyal to him, some actual traitors, and many who for various reasons would like to see peace made even on terms unfavorable to China, it would be folly to question, but the writer believes that Chiang is well aware of the danger of these persons, and has the ability to handle them in such a way that he can continue in power.

In the spring of 1928 when the writer watched the troops of the Revolutionary Army,- and a pretty sorry looking lot of troops they were,- enter Peking for the first time, if anyone had attempted to convince him that Chiang Kai-shek would still be in power on January 1, 1940, he would have flouted the idea as preposterous.

But Chiang has weathered many a storm since that fine June morning, and in the writer's opinion it is because he is a master, not so much at plotting and intrigue as some of his critics maintain, but in the art of controlling both friends and enemies to the very best advantage. Of course Chiang can use intrigue when necessary,- his stalling off of the threatened Liang Kwang rebellion in the summer of 1936 is an excellent proof of that,- but it is doubted if anyone, no matter how clever he might be in the more sinister forms of political craftsmanship, could have maintained himself as long as Chiang has unless he possessed much of other more admirable abilities as well.

Persons who know the Generalissimo well state that in the earlier days of his dictatorship, he did not hesitate to strike quickly and ruthlessly to remove enemies from his path, but that of late he has mellowed considerably and is now loath to liquidate even a serious enemy. According to these persons, Chiang feels that the best way to handle an enemy is to place him in a position where his activities can be watched and combatted as effectively as possible, rather than to kill him and run the risk of raising up a number of others in his place.

To cite a specific example, the present Minister of Education, Mr. Chen Li-fu, is often spoken of as an opponent, if not an actual enemy, of the Generalissimo's, but Chiang apparently has no intention of removing him, by any means whatsoever, from his present high office.

It must be born in mind that Chiang is not the absolute dictator which he is believed by many persons to be. It is reliably reported that before the fall of Nanning, he was well aware of the necessity of despatching good Central Government troops for the defense of the city, but that he did not consider it advisable to force his authority in a province where he knew such a step would be deeply resented. One of the few compensations for the loss of Nanning has been the fact that it has given Chiang Kai-shek the opportunity to send his troops into Kwangsi, which thus far in the war had not been done.

As to whether the present set-up of the Chinese Government could continue if Chiang Kai-shek were for any reason to be removed, is a question upon which it appears useless to speculate to any great extent. In the opinion of the writer, however, only the Generalissimo can hold the present Chinese Government, with all its factions, together during the trying times which are ahead if resistance to Japan is to be maintained. This opinion is based partially upon the fact that the only possible successor of the Generalissimo he has ever heard mentioned is General Ch'en Ch'eng, head of the Ministry of Political Training of the Military Affairs Commission and holder of a number of other important offices. General Ch'en gives the impression of being a straightfoward, hardheaded soldier, but as a possible leader of China he certainly does not appear anything like the stature of Chiang Kai-shek.

9. U.S. Export of Munitions to Japan.

The writer feels that the Chinese people must be given credit for the restraint with which they have viewed the picture of the United States professing the warmest sympathy for China in her struggle against Japan and at the same time aiding China's enemy by selling her millions of dollars a month worth of material for making war. Chinese in many different walks of life have been heard to express inability to understand this inconsistency on the part of the United States, but always in polite language and with a minimum of rancor. Whether or not we Americans, under similar circumstances, could exercise so much restraint, is doubted.

Similarly, the expressions of the press on this subject, while always, particularly as the date for the expiration of the American Trade Treaty with Japan draws near, expressing the hope that America will soon cease to aid China's bitterest enemy, have thus far been couched in restrained language and have consistently refrained from condemnation of what from the Chinese viewpoint must appear as the most sickening hypocrisy on the part of the United States.

It is of course apparent that the Chinese consider it wise not to antagonize public opinion in the United States by too outspoken criticism of our trade relations with Japan, but taking even this motive into consideration, the attitude of the Chinese thus far on this subject appears to have been admirably fair minded.

10. New Year's Celebrations.

The advent of the New Year was celebrated with great enthusiasm in Chungking. The enthusiasm appeared genuine to the writer whose experience in Peking leads him to believe that it is very difficult to make the Chinese celebrate anything with the appearance of enthusiasm if they do not desire to do so. The streets were extensively decorated and there was much parading about and carrying around of cloth dragons and paper lanterns to the accompaniment of salutes of firecrackers and the deafening beating of gongs and drums. Last year the lighting of lanterns and shooting off of firecrackers was forbidden, but this year it was encouraged.

There were reports that the encouragement given in advance to celebrate the coming of the New Year came from the belief in official quarters that the recapture of Nanning before New Year's Day would give real cause for rejoicing. If the failure to take back this city produced any dampening effect on the celebrations, however, it was not apparent. Chungking has been exceptionally prosperous in 1939, and that in itself was good cause for rejoicing.

11. General Local Conditions.

Chungking is now a boom town. Wages are sky high, living coasts are not exceptionally so, and almost every kind of business is thriving. The demand for almost every kind of goodsi is terrific, and the prices asked for some commodities, especially for those which must be brought in from abraod or from outside of this province, are astonishing. This is of course due partly to excessive transportation costs, but also to the exceptional demand. That living coats are not higher is due to the fact that rice and other native food staples are still fairly cheap.

To cite a few examples of what things now cost here, coffee is $15.00 a pound, a tube of very ordinary foreign toothpaste $19.00, a can of evaporated milk $6.00, a pound of butter $10.00, one safety razor blade $1.80, and so on. These prices are of course not much in U.S. currency at the present rates of exchange, but they are very high for Chinese to pay.

The indifference with which Chungking merchants treat the buying public and the insolence of their shop assistants may be taken as definite indications that most of the shops in the city are doing a roaring business.

Chungking is much overcrowded, as the pre-war population of around 400,000 has increased ~~so~~ an estimated threefold. From the crowds one sees everywhere it looks as if all the people who ran away after the terrible air raids of last May had now returned, bringing hosts of relatives and friends with them. Houses or business premises are almost impossible to rent at any price. For example, this Embassy pays $800.00 a month for a house worth in normal times about $100.00.

The scarcity of houses and shops has resulted in a great

boom in the building trades. Houses and shops are being rushed to completion with all possible speed and many premises are actually being occupied before the plaster on the walls is dry. Besides new construction, a great deal of repairs, of the cheapest and flimsiest sort, are being made to buildings damaged in air raids. It seems a foregone conclusion that if the Japanese ever bomb Chungking in earnest again, many of these buildings will be destroyed or at least damaged ~~again~~, but the returns on any kind of real property are now so great that it is worth the while of the owners to make the repairs if ~~he can't rent~~ the premises can be rented even for a few months.

In addition to a great amount of flimsy and jerry-built construction, a large number of more substantial structures are being put up, especially on the south bank of the river where the danger from damage by bombing is not so great. This construction is being done at a cost far above that of normal times and one wonders what will be the result on property values should the capital be moved away from Chungking. It is believed, however, that even after the war this city will continue a most important point, so that there is probably not much danger of a sudden drop in real estate values.

Visitors to Chungking, especially persons with missionary connections, usually speak of the high morale of the people here. The writer also feels that the morale of the local population is high, but ascribes it more to the fact that almost everyone here is making money than to any other cause.

At the risk of being considered ahardened cynic, the writer doubts if there is much real patriotic feeling among the people of Chungking. One thing which leads him to this opinion is the fact that he sees so many well dressed young men, visibly eligible for military service, who seem to have nothing to do but hang around restaurants, theatres, and other places of amusement, or to stand about on the streets in company with their friends. If these young men are patriots, it is not visible to the naked eye.

There have been slackers in every country in every war, but it is doubted if ever there were more than there are in China now. Certainly China cannot be blamed if she does not desire to send young, well educated men to the front if they can be used to better advantage elsewhere, but this certainly does not apply to the crowds of well dressed idlers so noticeable in Chungking.

The writer is not in sympathy with the feeling of the Chinese, often expressed in statements of those high in authority, that China's resources in manpower are inexhaustible. It is evident that the manpower exists, and certainly no one could object to its use in a life and death struggle such as the one in which China is now engaged, but the writer contends that the sacrifices involved in reckless expenditure of manpower should be borne as nearly as possible equally by all classes. When the sons of the wealthy and those in high place do not go to the front at all, or else merely to "comfort" the troops, to give theatrical performances, or to teach mass singing, it does not seem fair.

A young foreigner who has served directly with guerilla forces in China for over two years told the undersigned recently that he had never yet known of the son of a wealthy man or high offidal serving as an officer or enlisted man with combat troops. He said he knew of instances of young men from good families in fighting units, but not from wealthy or powerful families. A very good friend of the writer, aChinese in a very important public position who counts his foreign friends by the scores, has two sons of eligible military age, both of whom are now in the United States, "preparing to assist in the rebuilding of China after the war." Even missionaries,

who are generally incapable of seeing anything to criticize in the Chinese, have been heard to comment unfavorably on the shamelessness with which the sons of the rich and the great stay away from the war.

On the other hand, it is encouraging to note examples of self sacrifice undoubtedly inspired by the highest motives of patriotism. The writer recently met an engineer who left the employ of the Shanghai Power Company, where he received a thousand dollars a month, to work for the Industrial Cooperatives for $200.00 a month. This man has not the physique to fight in the Army, but he is doing excellent work in his present position. Another case known to the writer is that of a young Chinese doctor who gave up an excellent private practice to work under the most difficult conditions for the relief of wounded soldiers at no salary at all. He lives on borrowed money which he expects to repay.

12. Transportation.

The formation of the China Transport Company, which was launched on January first is believed to be a step toward at least a partial solution of China's many complicated transportation problems. This organization, concerning which a Digest report is in process of preparation, is largely the result of the work of the American Highway Commission which came to China last fall. While the new company may not be able to accomplish as much as is hoped for it, it should do something to eliminate the waste and inefficiency which have hitherto characterized the operation of the huge transport agencies ~~necessitated by~~ the necessity of China bringing most of her war supplies from such far distant localities.

The Chinese government recently acted with commendable promptness in a situation which was seriously affecting the efficiency of transportation of gasoline supplies. A group of persons among the officials controlling the allotment of China's share of the tonnage of the Haiphong-Kunming Railway had been diverting freight cars from official use to agencies which had been used them for profit to themselves. When this condition became apparent, the government acted quickly to correct the situation, and although it is understood that the persons involved in the dirty work had high connections, the situation is reported much improved.

Definite recommendations have been made by the American Highway Commission for the clearing up of the huge amounts of supplies for China now awaiting shipment in Haiphong, and an improvement in this situation is hoped for in the near future.

13. Peace Talk.

Peace rumors, which we have with us pretty much always in Chungking, have been particularly prevalent the past week, but there is absolutely nothing definite which can be found to support the rumors. According to a reliable source, the following are the peace advocates, or "compromise group" in the Government at the present time; Dr. H.H. Kung, Mr. Wang Shih-chieh head of the newly formed Ministry of Publicity, Mr. Tai Chi-tao President of the Examination Yuan, General Chang Chun, Chief Secretary of the Supreme National Defense Council, Mr. Chen Li-fu, Minister of Education, and General Ho Ying-chin, Minister of War.

Leaders favoring the continuation of resistance are said to include Mr. Yu Yu-jen, President of the Legislative Yuan, Mr. T. V. Soong, Generals Feng Yu-hsiang, Yen Hsi-shan, Li Tsung-jen, and Pai Chung-hsi, and most of the other general officers of the Central Government and Red forces. The Generalissimo is reported to be uncompromising in his determination to keep up resistance.

The source mentioned above reports that the following are the latest terms offered to Wang Ching-wei by the Japanese; Manchukuo to be recognized as independent, North China to be governed by a political committee of a special character, Hainan Island to be ceded to Japan, economic and cultural cooperation with Japan to be guaranteed, and Japanese garrisons to be stationed in Nanking, Shanghai, Hankow, Canton, and Hangchow. The Japanese, according

to the report, offer to withdraw troops from Central and South China "after a certain time" (not including the garrisons noted above) and to allow Wang Ching-wei to make peace with Chiang Kai-shek without interference.

The writer knows nothing as to the correctness of these terms, but they appear reasonable in that they are just about what one would expect the Japanese to offer. Actually they differ very little from the terms offered by Konoye in December of 1938.

As far as peace is concerned, the writer feels reasonably safe in making the prediction that if it comes in 1940, barring always some unexpectedly development outside of China and Japan, it will be on terms very unfavorable to China.

David D. Barrett.

David D. Barrett,
Major, Infantry (DOL),
Assistant Military Attache.

AMERICAN EMBASSY

OFFICE OF THE MILITARY ATTACHE

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INTEL. DIV.

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WAR DEPARTMENT

RECEIVED G/2 W. D. MAR 9 1940

Chungking, China,
January 9, 1940.

Subject: "Comments on Current Events."

To: The Assistant Chief of Staff, G-2, War Department, Washington, D.C.

The undersigned wishes to apologize for the appearance of the accompanying "Comments on Current Events." The only typist available was himself and the only typewriter his own portable, which has seen its best days. He intends, if possible, to secure the services of a competent typist at his own expense to prepare the next report in better form.

David D. Barrett.

David D. Barrett,
Major, Infantry, (DOL),
Assistant M/A.

OFFICE CHIEF OF STAFF
MIL., INTEL. DIV.
MAR 11 1940
WAR DEPARTMENT
2015-6 22
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CHINA

COMMENTS ON CURRENT EVENTS

February 3, 1940

(No.2)

RECEIVED G/2 W. D. MAR 11 1940

1. New Central Government
2. Attitude towards the United States
3. Termination of the Harbin parleys

1. New Central Government.

Mr. Wang Ching-wei continues to have as much difficulty as ever in the establishment of the New Central Government. During January another widely heralded conference was held in Tsingtao which, according to the Japanese and puppet press, was merely to iron out the last few minor controversies. The conference lasted from the 20th to the 27th of January and from early press reports it would seem that all was going well. The Mongol leader General Li Shou-hsin returned to Kalgan with what was reported as a compromise which would give him highly developed autonomous powers. Wang Cing-wei was also reported to have agreed to North China specialization.

In spite of the encouraging publicity, nothing definite was achieved and the conference closed with the establishment of the new government no nearer accomplishment than it has been in the past. An unusual highlight was a speech made by Lieutenant General Itagaki who "happened to be passing by" and said he would like to say a few words. He then launched into a lengthy and complicated speech in Japanese the interpretation and translation of which was most difficult for everyone concerned. At one point he indicated that if the new government was not quickly established Japan might declare war on China and thus risk embargoes from third powers. This may have been a bluff to force the Provisional Government (backed by General Kita) to come to terms. The undersigned interviewed the local military spokesman when he returned to Peking but the latter either could not or would not shed much light on General Itagaki's remarks.

COMMENT:

The story is the same. We can expect no immediate establishment of the new government. There are believed to be three Japanese military factions which

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disagree as to the methods to be followed on the establishment of the new government. One is composed of Generals Hata, Nishio and Itagaki who wish to bring peace by forcing the new government into existence and have no dealings whatsoever with Chungking. The second faction is backed by Generals Kita, Minami, Sugiyama and Terauchi, and these feel that final peace will not result from the establishment of a new government unless Chungking is consulted with. The third - and by far most insignificant faction - is backed by our old friend General Doihara, and this group stands for "continued unrest".

Since the seat of the proposed government will very probably be Nanking, it is likely that the present Reformed Government has fallen in line with Wang Ching-wei, but Wang Ke-min and General Kita are still holding out for special rights for North China and it is wondered whether or not the reported transfer of General Kita in March will have any effect on Wang Ke-min's continued opposition to Wang Ching-wei. General Kita will be relieved by Major General Morioka who, for some time, has been his assistant in the North China section of the China Affairs Board.

2. Attitude toward the United States.

As the dead line drew near for the abrogation of the trade treaty between the United States and Japan, rumor had it that there would be demonstrations and that the Hsin Min Hui had prepared anti-American posters and handbills for distribution. These rumors proved groundless, however, and the fateful 26th passed quietly. The Japanese and puppet press, on the other hand, had not been silent. Many editorials blamed the United States for endeavoring to obstruct Japan's "immutable" policy of establishing the New Order in East Asia. One Japanese editorial published in a Chinese paper attacked the subject from a different angle. It seemed, according to this statement, that just when Japan and Britain were about to settle their differences amicably, the United States abrogated the trade treaty which caused Britain in turn to take a firmer stand, and now Anglo-Japanese relations are strained all over again.

Americans in Tientsin are beginning to feel the pinch of barrier restrictions a little more than in the past. In some cases special passes issued to American citizens have been withdrawn or not honored, and delays at the barriers have occurred. The spokesman for the Tientsin Garrison, Colonel Nagai, stated that the tightening of restrictions did not result from the treaty abrogation or from the Asama Maru boarding case, but was merely "a coincidence". He then smoothly passed the blame to the Hirota unit which he said had the entire discretion in exercising barrier restrictions. The Commanding General, Lieutenant General Homma, made a statement to the press of international significance and it is not known whether or not he had authority from Tokyo or the North China

headquarters. He stated in part: "If all our efforts to improve relations with the United States fail, Japan will see no further reason to extend special privileges to the United States citizens ....think of the sacrifices made during the present incident, if you were in our shoes would you go so far as to nullify all that has been accomplished because you were pressed to do so by another country?" The general also hinted plainly that if their "efforts" fail, the Japanese military will be forced to review the position and reconsider the steps to be taken. He added that no amount of pressure would make Japan abandon the establishment of her "New Order in East Asia."

3. Termination of the Harbin Parleys.

After the Nomonhan truce last fall the four countries concerned - Japan, Manchukuo, Soviet Russia and Outer Mongolia- agreed to appoint a boundary commission to settle once and for all the boundaries over which disputes have been arising for years. This commission was to meet in Chita and then adjourn to Harbin for the final stages. Apparently the Chita phase was accomplished with some success as the commission has been in session in Harbin for about a month. It came as a surprise therefore, when a Tokyo report appeared merely stating that the commission was disbanded on January 30th since no compromise could be reached between the delegates of the countries concerned.

It is not believed that the Japanese had expected too much from the labors of this commission, nor that troops in large numbers were removed from Manchukuo in view of a possible permanent border settlement.

F. P. MUNSON
Capt., F.A.
Assistant Military Attache

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G-2 Report

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APR 10 1940 MIL., INTEL. DIV. WAR DEPARTMENT

2055-622 239

CHINA

COMMENTS ON CURRENT EVENTS

March 11, 1940

(No.3)

RECEIVED G/2 W.D. APR 9 1940

1. Food Situation in North China
2. New Central Government
3. General

1. Food Situation in North China.

The ever increasing difficulty in obtaining flour, rice, eggs, and other foodstuffs—as well as coal and fuel—is well known to both the Provisional Government heads and the Japanese Army authorities, but there is little evidence as yet of any relief measures being put into effect. As an illustration, the following figures were published recently by the Federal Reserve Bank and show the increase in the general price index over a period of a year:

Classes	Jan.1940	%increase over Jan. 1939
Rice and other grains	284.18	146.77
Vegetables	260.51	131.39
Fish and Meat	229.26	87.59
Condiments	191.07	90.79
Fuel	230.24	69.90
Cotton Tissue	251.07	112.58
Groceries	211.58	72.51

The rice and flour situation is particularly acute in Peking, Tientsin, and Shanghai. While there are reported to be several million bags of flour stored in the British and French Concessions in Tientsin, the authorities of the Concessions have remained cool toward a proposition made by the Provisional Government in which it was strongly suggested that the flour be sold to the latter Government, which Government would then distribute it at a nominal price and thus keep the price down. The Concession authorities felt that the flour would probably find its way to the godowns of the Hsin Min Hui and fail to reach the general public. It is well known that even in Peking there are large stores of flour believed to be the property of the Hsin Min Hui, which is evidently creating a monopoly.

The scenes in front of the flour shops, especially before Chinese New Year, were very pathetic. Hundreds of customers were in long lines at early dawn and after waiting all day many were turned away empty handed. The method is

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for each customer to go to his local police office and, if he offers proper bribes or has a friend, either in the police office or the Hsin Min Hui, he received a token which entitles him to make the purchase. The customer has to state his monthly wages and the name and occupation of his employer, and if the employer is a foreigner it is practically a certainty that no token will be issued.

The undersigned personally called on a Japanese acquaintance who is connected with the North China military headquarters in an effort to procure flour for the officers attached to this office. This individual blandly admitted (1) that he knew there was plenty of flour in Peking, (2) that it was very possibly being kept by the Hsin Min Hui, and (3) that he knew the servants of foreigners were refused tokens. This conversation was unofficial and he promised to contact a friend in the military police whom he felt sure could sell me one hundred bags. He asked, however, that in return I sell him ten bags as he himself could not get enough for his own servants. It resembled a "squeeze play" and as yet the flour has not been forthcoming.

Comment: There is a constant under-current of intense ill feeling among the coolie class (as well as others) resulting from this food and particularly flour shortage. The crowds around the flour shops have required police to maintain order but as yet there have been no riots, although there were minor ones in Tientsin and Shanghai, believed to have been organized by the Japanese in order to spread dissatisfaction among the Chinese living in the Concessions and in the International Settlement. It seems strange to the undersigned that the Japanese would allow this condition to prevail just before the announced organization of the new Government, and it is believed that unless preventative measures are taken the situation will become more sinister in the future.

2. New Central Government.

The local puppet press has announced another meeting to be held in Nanking around March 15th to settle the final questions arising from the establishment of the New Government. Whether or not this meeting will be successful depends of course upon whether or not the Japanese advisers will come to an agreement. It still seems evident that the Tokyo authorities and the Nanking Reformed Government see eye to eye, the Peking Government being the fly in the ointment. The attached chart was published as the official organization of the new set-up, and as was expected, Wang Ke-min, head of the Provisional Government, does not appear as an office holder. He was lately reported to be suffering from an infected boil and to be under the tender care of Japanese doctors, which makes one wonder if his illness will turn out to be as serious as that of the late Marshal Wu Pei-fu.

3. General.

During the period under review there have been no outstanding changes in the general situation, either military or political. The Nationalist Government was naturally delighted with the news of the American loan, and also for the firm stand taken by the French regarding the bombing by Japan of the Indo-China—Yunnan Railway. Protests against both the loan and the French attitude appeared in the puppet Japanese press, but have gradually lessened in intensity.

A long expected announcement was published recently to the effect that there would be some changes in the Postal Commissions in the occupied areas. These changes apply to Peking, Tientsin, Tsinan, Taiyuan, and Kaifeng, which up to the present have had foreigners in the key positions. The announcement stated that the posts of Assistant Directors will be given to officials of Japanese nationality and that also a Japanese will be appointed as section chief of each of the above administrations. A British member of the Peking Postal Commission stated this had been in the air for some time and undoubtedly meant the gradual elimination of all foreigners.

In general the political situation is unchanged. The Japanese are more than ever anxious to establish the new government and bring about an end to the incident, while the Chungking Government, in spite of repeated friction with the Communist elements, seems to remain united in its decision to continue active prosecution of the war.

F. P. Munson
Captain, Field Artillery
Assistant Military Attache

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1 chart

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MIL. INTEL. DIV
APR 10 1946
WAR DEPARTMENT

DIAGRAM OF ORGANIZATION OF THE PLANNED NEW CENTRAL GOVERNMENT

CHINESE NATIONAL GOVERNMENT

---- Central Political Council

--- Chairman (Wang Ching-wei)--

Executive Yuan..Wang Ching-wei ---
- Ministry of Foreign Affairs...Wang Ching-wei
- Ministry of Interior .. Chen Chun
- Ministry of Finance ..Chou Fo-hai
- Ministry of War ... Yang Kuei-yi (acting)
- Ministry of Police Affairs
- Ministry of Agriculture and Forestry
- Ministry of Industry and Commerce
- Ministry of Education
- Ministry of Communication
- Ministry of Railways
- Mongolian and Tibetan Affairs Committee
- China Overseas Committee

Judicial Yuan.. Wen Tsung-yao

Legislative Yuan..Liang Hung-chih

Examination Yuan..Wang Yi-tang

Control Yuan..Chen Tao-yi

--- Military Council ------

---------- Pacification Army.. Commander-in-Chief, General Jen Yuan-tao

- --General Staff Headquarters
- --Training Department ..Director-General General Liu Yu-fen
- --Military Councillors Yuan

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AMERICAN EMBASSY, OFFICE OF THE MILITARY ATTACHE

RECEIVED G/2 W. D. APR 10 1940

Chungking, China,
March 1, 1940.

Subject: Comments on Current Events (No. 3).

To: The A. C. of S., G-2, War Department, Washington, D.C.

1. New Central Government for China.
2. Relations between the National Government and the Chinese Communists.
3. Relations with France.
4. Relations with the United States.
5. Relations with Great Britain.
6. Relations with Soviet Russia.
7. Relations with Italy.
8. Local Conditions.
9. Enthronment of the Dalai Lama.
10. Chinese Finances.
11. Visit of Sir Stafford Cripps, M.P., to Sinkiang and Russia.
12. Conditions in Shanghai.

1. New Central Government for China.

In his last "Comments on Durrent Events," the undersigned reported the expose of Wang Ching-wei's alleged peace terms with Japan by Kao Tsung-wu and Tao Hsi-sheng, former henchmen of Wang's who left his camp and proceeded to Hongkong in January. On February 28th, Central News Agency reported that Kao and Tao had asked the agency to publish certain secret documents, said to be agreements and contracts, alleged to have been signed by Japanese agents and Nanking puppets, which Kao and Tao stated had been submitted to Wang before he concluded his agreement with Japan and to have been duly acknowledged by him.

In their letter to Central News concerning this alleged further expose of Wang's perfidy, Kao and Tao claimed that in Article II of the so-called "Fundamental Principles for the Readjust of New Relations between Japan and China," Wang agreed to acknowledge the existence of "faits accomplis" before the restoration of friendly relations between Japan and China. These "faits accomplis," according to Kao and Tao, are secret agreements and contracts entered into by Liang Hung-chih, head of the Reformed Government of China, and Japanese agents.

These secret agreements, stated Kao and To, cover eight different categories as follows; (1) pertaining to the monopoly of strategic materials, (2) pertaining to the exploitation and control of iron mines, (3) pertaining to railways, (4)pertaining to civil aviation in Central and North China and Inner Mongolia, (5) pertaining to telegraph and telephone communications, (6) pertaining to power plants and waterworks, (7) pertaining to real estate in Shanghai and its environs, and (8) pertaining to ordinary commercial firms. A free translation by Central News of the secret agreements and contracts, as reported by Kao and Tao, accompanies this report.

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Kao and Tao maintain that these agreements and contracts give the Japanese the right to develope all resources in Central China, including mines, communications, power plants, water works, and city developments. The documents also provide, so state Kao and Tao, for the practical exclusion of foreigners from participation in business enterprises of any importance in Central China.

File Tao

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While the authenticity of the documents in question has not been fully established, they appear genuine partly because they are just the sort of agreements one would except the Japanese Army to force the Reformed Government to enter into, and partly because to manufacture such documents out of whole cloth would be very difficult. If they are genuine, it would be hard to imagine a more complete sell-out of the economic resources of a nation than they provide for.

Again assuming the authenticity of the alleged agreements, they would appear to establish Liang Hung-chih as a baser traitor than Wang Ching-wei. The latter may at least claim that he is doing his best to save as much as possible of China's sovereignty, but how any man who made any pretense to patriotism could have put his seal to such documents as Liang is alleged to have agreed to is difficult to understand. It is conceivable that Liang might have signed with a pistol held to his head, but under such circumstances one would think he could have afterwards escaped from the toils of the Japanese and explained his position to the world.

In connection with this alleged sell-out of China's natural resources, it should be born in mind that to carry out the exploitations provided for in the contracts and agreements which Kao and Tao claim to have exposed, huge amounts of capital would be required which would be difficult to raise either in Japan or in China, or in both.

The publication of the alleged proofs of Wang Ching-wei's further perfidy created little of a stir here as he is now generally considered capable of any treachery. Actually, if the terms of the original agreement which he is alleged to have signed with Japan were correctly reported, nothing further is needed to make China a complete vassal of Japan, and the latest agreements and contracts which Kao andTao claim to have exposed merely represent definite steps by which the enslavement of China would be accomplished.

In any event, there is every reason to believe that the actualterms on which Wang Ching-wei has settled, or will settle, with Japan will soon be known, at least in part, for according to all indications the new "Central" Government for China will assume definite shape in the near future, if press reports and statements from responsible persons are to be believed. The French Ambassador to China told the undersigned a few days ago that he was convinced the new regime would soon be launched, otherwise the Japanese Government will have an increasingly difficult time expaaining to the people why it has not been formed. Reuter's, Tokyo, reported on February 23rd that the basic terms of the agreement reached between Wang Ching-wei and Japanese authorities in China last December, and approved by the Abe Cabinet early in the 1940, will be made public shortly after the Central Political Council, the nucleus of the new government, has met in Shanghai. As yet the date of the meeting of the Central Political Council has not been announced.

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The "Japan Times" is quoted by the above mentioned Reuter despatch as giving the following substance of the terms on which Japan will make peace with China, although the source from which the "Times" obtained the information is not stated:

(1) Japan's policy vis-a-vis the new government will be to support it fully, extending every possible aid and cooperation in the field of economic, military, and cultural affairs in order to bring about the complete unification of the Chinese state.

(2) When the new government has reached the stage where it is considered qualified to unify the Chinese state, Japan will formally recognize it, adjust Sino-Japanese relations, and try to induce other powers also to recognize the new state.

(3) The Japanese Government has no objection to the new government carrying on the old Kuomintang Party and following the "pure" Three Peoples' Principles as its guide, providing no anti-Japanese and pro-communist policies are assumed. The Japanese Government will guide the new government so that it will not commit the errors of the Chungking Government.

(4) The North China Development Company and the Central China Development Company will not be subject to any change in their legal status as semi-official Japanese concerns even after the establishment of the new government.

(5) The Central Government will seek to unify the Chinese currency system and establish a new Central Bank, but it is assumed that the Federal Reserve Bank of China, in view of its special mission, will not be absorbed.

(6) The Japanese Government does not intend at present to change the relation of the Japanese yen and the yuan of the Federal Reserve Bank which are now at par.

(7) The Japanese Government will adopt a prudent attitude toward the Chinese national currency in order to avoid any radical change likely to affect the economic life of the Chinese people.

(8) The Japanese Government is determined to make the Chinese understand fully the "tolerant" (quotation marks are the writer's) terms on which Japan is to conclude peace. These are based on the Konoye statement of December, 1938, calling for joint opposition to the Comintern, economic cooperation between China and Japan, and not territorial or indemnity demands by Japan.

(9) The Chungking Government will be left to decay owing to the rise of a strong party advocating peace, the intensification of friction with the Communists, uneasiness concerning the future of the national currency, shortage of materials, and decrease in the national revenues. The Chinese military strength is now so weak that one division is equal only to one Japanese battalion.

(10) The Japanese Government believes that the Chungking Government will either decay as a result of the development of the new government and the pressure of the Japanese Army, or will naturally dissolve and its organ-

izing elements participate in the new government.

(11) Japan's policy of not dealing with Chiang Kaishek is immovable unless his regime dissolves.

(12) The necessity of stationing large Japanese forces in China will be recognized until the Chungking Government proposes peace with Japan, or participates in the Wang Ching-wei government. Japan will consider the China incident ended when order in China is restored.

While it is not possible to state whether or not the above terms are the ones on which the so-called peace between China and Japan will be effected, it is considered that if and when the real terms are announced, they will not differ greatly from them. The alleged terms have been reported in full because itwill be interesting to note just how correct the "Japan Times" was in its report.

It appears needless to point out that while the above terms may appear quite fair if not examined too closely, they are actually sufficient to make China a practical vassal of Japan. The mere statement that they are based on the Konoye terms is sufficient to indicate the effect they would have on the sovereignty of China. Term (3) states; "The Japanese government will guide the new government so that it will not commit the eorrs of the Chungking government," in other words, Japan will dominate the new government. Term (4) states; "The North China Development Company and the Central China Development Company will not be subject to change ----." This means that all business enterprises of any importance are to remain under Japanese control. Term (12) states; "The necessity of stationing large Japanese forces in China will be recognized until the Chungking government proposes peace with Japan, or participates in the Wang Ching-wei government."Japan will consider the China incident closed when order in China is restored." This would leave Japan free to maintain as large an army as she desires in China as long as she sees fit to do so.

If the terms as reported are correct, Number (9) is interesting, as it might be used to give the Japanese Army an excuse to cease offensive operations and save its face on the grounds that the Chungking Government was being left to decay. Term No. (7) might easily be interpreted as a tacit admission that the Japanese cannot stop the circulation of Chinese national currency.

An ominous, but certainly not an unexpected,note was sounded in the February 25th issue of Wang Ching-wei's "Central Ching Daily News," published in Shanghai. This paper warned the United States and Great Britain that if they continued to help Chiang Kai-shek, the new government would take over foreign concessions in China, as the new regime would rather be the enemy ofGreat Britain and the United States than their protectorate.

In commenting on this report, the local "Central News Agency," pointed out that it would be natural for Wang Ching-wei to stress anti-foreignism in his new government in order to attract as many as possible of young Chinese and others in this country who are dissatisfied with the failure of the United States to stop the export of materials to Japan and with the policy of appeasement toward Japan which great Britian has consistently followed for some mnths.

Central News also expresses the opinion that emphasis on anti-foreignism and the return of the concessions might help to distract attention from the terms on which he will settle with Japan, as it is generally admitted, even in the Wang Ching-wei camp, that these terms will involve "sacrifices" on the part of China.

That the formation of the new government will complicate the problems of the foreign powers in China would appear to be a foregone conclusion. The French Ambassador expressed this opinion to the undersigned a few days ago, pointing out that when the new government is formed it can trample on the rights of foreign powers almost with impunity, for if these poers complain to Japan, the Japanese Foreign Office can disclaim responsibility on the grounds that the acts complained of were those of the new Central Government of China. Then if the powers counter with a statement that they recognize no such government, the obvious reply of the Japanese would be the equivalent of saying, in polite language of course, "Well, that's just too bad."

An indication of the impending formation of the new government was noted on February 19th in the report that a committee appointed by Wang Ching-wei had finished selecting the buildings in Nanking which would be required for the use of the new regime. According to the report it would be necessary take over all buidings now used by the Reformed Government and many others in addition. It seems rather obvious to suppose that the committee may pick and choose, but in the end the new government will get such buildings as the Japanese Army is willing to let it have.

Liang Hung-chih, head of the Reformed Government, flew to Shanghai from Nanking on February 19th to confer with Wang Ching-wei, according to press on matters concerning the formation of the new government. At this time Wang reiterated to the press the statement that the new government will come into being in the near future after the organization of the Central Political Council. Liang Hung-chih told reporters that he would be glad to turn his Reformed Government over to the new central government as the two regimes were in perfect accord, a statement which may or not be true, but which sounds well in the ears of those supporting the new state.

It would appear that the Japanese are going to allow the new government to have some kind of any army, for on February 21st 525 officers were graduated from the pro-Wang Ching-wei Military Academy which has been operating, on funds furnished by the Japanese, for some months in Shanghai. The superintendent of this academy, which is reported to have 825 cadets in attendance, is General Yeh Peng, a nephew of Wang Ching-wei and a former Garrison Commander of the Wuhan Cities.

Locally, since the sensation created by the publication of the alleged terms on which Wang Ching-wei has settled with Japan, as reported in the last "Comments on Current Events" fromthis office, little attention has been

paid to the impending formation of the new regime. As far as the alleged terms themselves are concerned, it is now generally admitted here that these represent what Japan wanted, but probably did not expect to get. As matters now stand, barring some unexpected development, the coming of the new regime will probably continue to be contemplated with indifference by those loyal to the National Government.

2. Relations between the National Government and the Chinese Communists.

The National Government has recently agreed to increase the monthly allowance for the support of the Communists forces by enough to permit the maintenance of three additional divisions. Funds at present allotted provide for only three divisions. In addition to the funds for six first-line divisions, the National Government will support three reserve divisions, but the funds allotted for this purpose will not provide for arms and ammunition. As the Communists have been pressing the National Government for some time for enough funds to support nine divisions, their wishes have been met almost in full, and the result should be an improvement in relations between the two organizations. Unfortunately, however, reports are already in circulation that payments in line with this agreement are being held up, hence it is still too early to be overly optimistic.

No new developments have been reported in the relations between the National Government and the Communists concerning the number of Hsien to be controlled by the latter in Kansu and Shensi. As far as is known the matter is still in process of negotiation, with the forces of the National Government refusing to move from the hsien they occupied last December and in addition demanding that the total number of hsien under Red control be reduced to fourteen. To judge from the past, if and when a decision is reached in this matter, the Reds may be expected to come out on the losing end.

The trouble in Shansi between Yen Hsi-shan's Old and New Armies seems either to have blown over for the time being or to be in status quo with both sides maintaining an attitude of watchful and hostile waiting. According to last reports from Communists sources, the brigade of the New Army which sought sanctuary in Communist controlled territory in north Shansi is still in that area, although it has not joined the Communist forces. The Communists, state reliable reports, refuse to allow the brigade to be returned to Yen Hsi-shan's control until the trouble between the Old and New Armies has been settled.

Communist sources report a serious break between the Communists forces and these of the National Government in southern Hopei and Eastern Shansi in the Chengan-Tzehsien-Wuan area. According to the Communists, the most serious fighting occurred on January 28th and in this and subsequent clashes they suffered about 800 casualties. The exact causes of the clashes have not been reported, but they probably came from the ever troublous questions of tax collections and political authority in areas occupied by both Communist and National Government forces.

Like the trouble in Kansu in December, the recent friction in southern Hopei is not expected to develope into anything serious at present. The ultimate effect of such clashes, however, is likely to affect adversely the Chinese power of resistance, for it may be safely assumed that in areas where rivalry for control exists between Communist and National Government forces, the people are likely to have a very hard time, as it is probable that both parties will attempt to collect taxes, a condition which tends to make the people welcome any stabilized control, either Japanese or puppet, which, no matter what others may bring, may at least relieve them partially from the bitterness of double taxation.

The American Vice-consul in Tsinan reports that in some parts of Shantung where authority is divided between the National Government, the Communists, and a puppet Government, taxes are actually levied and collected by all three factions, and consequently the people are thus driven into the arms of the Japanese or the puppets in the hope that any stable regime may lessen their tax burdens.

The undersigned has previously reported (Radio No. 20, January 20, 1940) that the National Government is pressing the Communists to coordinate, under National Army command, their guerilla activities in Japanese occupied areas. By "coordinate" is really meant to submit to the command of the National Army. It is accordingly thought that the present trouble in Hopei is probably due, at least in part, to friction arising from the desire of the National Government to force the Reds to conform themselves in this regard.

The writer has consistently maintained in reporting guerilla activities that in most cases the people are the ones who suffer most in the end, and for this reason he thinks that in many areas the people will eventually tend to turn against the guerillas, with a consequent weakening of China's power of resistance. On the other hand, there is always the chance that constant guerilla activities may weaken the power of the Japanese, or of Japanese controlled puppets, to the point where the people will consider it advisable to continue to support the guerillas. Upon the turn of events in this respect will probably depend in large degree the success of efforts on the part of Japanese to dominate completely the areas which they have nominally conquered by force of arms. The chances of China to obtain a favorable outcome will be lessened, however, if friction between the National Government and the Communists causes the people in considerable areas to find themselves between the devil and the deep blue sea.

It is the opinion of the writer that friction between the Communists and the National Government may be expected to continue and that clashes between the forces of both sides are likely wherever they are stationed near each other. It is further believed, however, that this friction, for the present at least, will have little effect upon the general situation in China because of the fact that the Communists are not strong enough to be able to make much trouble.

It seems very unlikely that the Kuomintang will ever

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cease to distrust and dislike the Communists. An example of how the Kuomintang feels, and acts, toward this faction is reported, from communist sources, as having occurred about ten days ago when thirteen members of the staff of the "Hsin Hua Jih Pao," organ of the Communist Party in Chungking, were arrested by agents of the local Tangpu (Kuomintang Party Headquarters) on charges of carrying on subversive activities. The Communist side of the story is that last spring when Chungking was bombed, the premises of the paper were destroyed, and an office was established in a small village not far from town. After the premises in the city were repaired, the office in the country was still maintained.

Although the office in the village was plainly marked, so the Communists state, and the staff worked there quite openly on business connected with the paper, the Kuomintang claimed that the staff was engaged in activities "agin the Government," and placed thirteen of them under arrest. After the arrests had been made, the Kuomintang sought to have the local police take over the prisoners, but this the police refused to do on the grounds that they had no charges to press as they knew of nothing wrong which the persons in custody had done. The local military police also refused to assume charge of the prisoners for similar reasons.

The Garrison Commander, the highest military authority in the city outside of the Generalissimo's Headquarters, is said to be unwilling to release the prisoners because he does not want the Kuomintang to lose too much face, and so the Comunists remain in jail, probably until such time as they can be inconspicuously turned loose without offense to the Kuomintang Headquarters.

3. Relations with France.

The prediction in the last "Comments on Current Events" submitted from this office that further bombings of the Indo-China-Yunnan Railway would result from Japanese desire to force the French into closing the line to shipment of war materials into China proved correct. The line was bombed on February 1st, 13th, 16th, 17th, and 18th. The bombing of February 1st resulted in a ghastly slaughter of passengers on a train which was passing through a tunnel near the mouth of which the bombs fell. The force of the explosion caused the locomotive boiler to burst and reduced the coaches in the tunnel almost to splinters. Many persons were literally cooked to death by steam. About one hundred were killed, among them five French citizens, (not Annamites). Although the results of this bombing were shocking from the standpoint of loss of life, the damage to the railway was not great from this or the subsequent raids, and the line is now functioning almost normally, as repairs to the two bridges damaged in the January bombings have been completed.

There have been no more bombings since February 18th and opinion is divided as to whether the Japanese are leaving the road alone because measures for its defense have been improved or because they hope in other ways to bring pressure on the French to cease shipping war materials into China.

According to a U.P. despatch of February 14th from Paris, the Japanese Ambassador to France on that date submitted a memorandum to the French Foreign Office seeking French recognition of the fact that a state of hostilities

on a large scale exists in China, the object apparently being to induce France to assume a definitely netral attitude toward the Sino-Japanese war. According to the report, Japan wants a statement from France that the latter will not permit traffic in war materials for China on the Yunnan Railway. It is also reported that the French admit that oil and other supplies for China are carried by the railway, but that these cannot be considered as munitions of war. It is understood, the report continues, that the exchange of political views between France and Japan will continue, but the former will not make any effort to renew the Franco-Japanese trade agreement, which expires in March, unless the question of Japanese bombings of the railway is satisfactorily settled. Press reports have also stated that France broke off negotiations concerning the granting of permission for Japanese commercial planes to fly over Indo-China enroute to Siam in reprisal for the bombing of the railway.

According to the press reports from Paris, great resentment was felt in France over the bombing of the railway, and this feeling was accerbated by the fact that the Japanese delayed for such a long time in answering the French protest on the subject. According to latest reports, however, the first French protest has been answered in a conciliatory tone. If this is the case, it may mean that Japan is anxious to obtain her wishes concerning the Yunnan Railway with as little hard feelings as possible. The general opinion among foreign observers here, however, is that Japan will not hesitate to resort to further decisive measures if necessary to stop the flow of war materials into China over the Yunnan Railway.

A French citizens who has been engaged in business in Kunming for some years and is considered well informed concerning the relations of his country with China, recently told the undersigned that he did not consider it likely that the Chinese would be able to receive important amounts of war materials via the Yunnan Railway very much longer.

4. Relations with the United States.

Reports that Congress will very shortly pass the bill authorizing a second non-military loan of $20,000,000 to China has, as may have been expected, produced a favorable reaction here and has mitigated to a considerable extent the resentment previously felt over the slowness with which the United States is moving in the matter of stopping sales of war materials to Japan.

In influential "Ta Kung Pao," on February 23rd editorialized as follows in anahyzing recent political and diplomatic moves in Washington: "Realizing the circumstances with which the American administration is faced, we do not entertain too high a hope for an immediate United States action. We feel, however, that the United States will not deviate from the stand taken in her note to Japan on February 30, 1938.

"In other words, the United States will continue to adhere to the letter and spirit of the Nine-Power Treaty, uphold her rights and interests in China, and will not acquiesce in any one-sided violation by Japan. Therefore, no

intimidate
matter how the Japanese militarists ~~intimate~~ and bait her, and no matter how Nomura and Arita fawn upon her, the United States refuses to discuss a new trade treaty with Japan, makes a new loan to Cnina, and announces her plans for naval maneuvers in the Pacific. ----- The American Government has already adopted the following steps in regard to the Far East; abrogation of her commercial treaty with Japan, expansion ofher armed forces, and assistance to China. Henceforth, she can either declare an anti-Japanese embargo, impose economic penalties upon Japan, or enforce a blockade against Japan. At anyrate, the American pressure will be increasingly felt by Japan.

"It is obvious that the steps taken by the American authorities against Japan are systematic and well thought out. The realization of the other three alternatives will be only a question of time."

The local "Kuo Min Kung Pao" recently expressed the gratitude of the Chinese for the imminent extension of an additional credit of $20,000,000 to China by the United States. "This new loan will not only be of immense financial help to China but will also give the Chinese people great encouragement," stated this paper. The paper goes on to express the conviction that Japan is helpless in the face of American pressure. "But in view of the fact that Japan, though exhausted, has not given up her ambitions," the paper continues, "it would be advisable for the United States, aside from granting financial aid to China, to take economic reprisals, for only through an embargo and an anti-Japanese boycott can Japan's downfall be hastened and only through the collapse of the Japanese militarists can the Pacific situation be stabilized."

The above excerpts from local newspapers may be taken as typical of recent press expressions concerning the policy of the United States in the Far East. The moderate tone and sound viewpoint of the local press is in decided contrast to the violent articles about the United States which have appeared of late in the Japanese press. Of course the Chinese in general feel that the United States is their friend, but that they have not begun to doubt it more in the face of our present inaction concerning the export of munitions to Japan speaks well for the good sense of the Chinese.

5. Relations with Great Britain.

Although it is the opinion of the writer that the Chinese people generally do not trust the sincerity of Great Britain's friendship for their country, little has been heard here concerning the alleged existence of a treaty, or proposed treaty, between Great Britain and Japan covering their relations in the Far East. Press reports from the United States on February 21st stated that rumors concerning this treaty had been incirculation in Congressional circles for several weeks. The treaty, according to the reports, pledged Great Britain to give Japan a free hand in China, provided Japan keeps its hands off British possessions and thus leaves Great Britain free to concentrate on the war in Europe. The reports about the treaty have been categorically denied by the British Embassy in Shanghai.

A well informed foreign observer of relations between Great Britain and China recently expressed the opinion to the writer that it is quite possible that Great Britain might take a definite step toward appeasing Japan as far as the conflict of British and Japanese interests in China is concerned. Such a step, according to this observer, might take the form of an open or tacit recognition of Wang Ching-wei's new government when it is established, in return for which Japan might agree to leave Hongkong alone and possibly permit Great Britain to carry on, with less restrictions than are imposed at present, her coastwise and inland shipping business.

Because of Great Britain's recent weak-kneed actions in China, for example her failure to take decisive steps in the case of the detention by the Japanese of her Military Attache to China last summer, the withdrawal of a large part of her military forces from North China, and her meek submission to the Japanese manhandling and insulting of British subjects in connection with the blockade of the Tientsin Concessions, the writer would not be at all surprised to see Great Britain take a step along the line suggested above.

It is of course to be expected that many British subjects in Shanghai and other parts of China who are engaged in commercial pursuits would be very glad to see Great Britain come to terms with Japan at the expense of China if it would permit them to carry on their businesses, even with restrictions. Conversations with the British Ambassador, who is still in Chungking, leave no doubt of his sincere friendship for China and of his desire to help her in every way in her struggle against Japanese agression, but just how much influence he has with his Government is difficult to judge.

A foreigner of many years experience in China, principlally in connection with shipping on the Yangtze, who is now in the employ of the Chinese Maritime Customs recently expressed the opinion that no matter what the outcome of the war with Japan, British ships would soon cease to ply the upper reaches of the Yangtze (from Ichang to Chungking), as he expected the Chinese-owned and operated Ming Sheng Company to obtain a monopoly in the shipping business on this part of the river. At the present time only one British Company, Butterfield and Swire, has steamers on the upper Yangtze, and rumors have been incirculation for some time that these will soon be taken over by the Ming Sheng Company.

A French Company still operates two steamers on the upper Yangtze, but it is considered a foregone conclusion here that if British interests on this part of the river are taken over by the Ming Sheng Company, the French ships will also pass into Chinese hands.

6.Relations with Soviet Russia.

The detention in Hongkong since January 12th of the Russian steamship "Selenga," while enroute from Manila to Vladivostok with cargo of wolfram, antimony, and coffee, has focused attention on the delicate question of export of war materials from China to Russia. Under the terms of her

barter agreement with the Soviet Union, China is obligated to export to that country wolfram, antimony, and certain other products of importance in the manufacture of munitions. The Chinese are said to be behind in their shipments under the agreement and the Russians are reported to be pressing them for more activity along this line. Much of the wolfram and antimony exported by China must pass through Indo-China, and the French watch the shipments very closely and have expressed willingness to buy the products at high prices, but the Chinese prefer to sell to Russia, for under the terms of the barter agreement, for every dollar's worth of goods sent out, China receives about ten dollars' worth in return.

France and Great Britain are of course very anxious lest wolfram and antimony sent by China to Russia should be passed on to Germany. According to reports from official quarters in Hongkong, the Chinese have recently shipped considerable amounts of these products to Manila on the pretense that they were to be transhipped to the United States, but actually, so state the reports, the products have been sent from Manila to Vladivostok. The "Selenga" is suspected to have been carrying wolfram and antimony originally sent from China to Manila ostensibly for transshipment to the United States.

It seems probable that in spite of the fact that China apparently has a legal right to ship wolfram and antimony to Russia under her barter agreement with that nation, fear on the part of Great Britain and France that these products may find their way to Germany will make it difficult for China to make deliveries, except possibly by land routes.

7. Relations with Italy.

Count Ciano's recent telegram to Wang Ching-wei, congratulating him upon his efforts to establish a new regime in China placed the local charge d'affaires of the Italian Embassy in a most embarrassing situation, as Count Ciano's action appeared a gratuitous insult to the Chinese National Government. It is assumed that Count Ciano's telegram is tantamount to a statement that Italy will recognize the new regime.

Mr. Rosset-Desandre, in charge of the Italian Embassy here, appeared genuinely disturbed over the incident. According to his own statements, which there appears no reason to doubt, he has been doing his best to convince his government that it would be much better to back the National Government than to give any support to Wang Ching-wei. The Chinese Government appears to be aware of Mr. Rosset-Desandre's friendly attitude and their relations are apparently most cordial. It seems inevitable, however, that any efforts to make Italy change her attitude toward Wang Ching-wei and his Japanese backers are doomed to failure. If and when Italy recognizes the new regime, it will be interesting to see whether or not she continues to maintain a diplomatic representative here.

8. Local Conditions.

(1) Celebration of Anniversary of Founding of New Life Movement.

The celebration of the sixth anniversary of the founding of the New Life Movement got under way on February 20th and was concluded on February 26th. The general program of the celebration was reported in the last "Comments on Current Events." A speech made by Chiang Kai-shek in connection with the celebration is worth quoting in part because of the plain language in which it was couched. The Generalissimo began by stating that he had already said a year ago that 1939 would have to be a year of progress in the Movement. With this preamble he went on to say:

"Now, looking back over what has been done and achieved in the past year, I wish frankly to say that I do not observe among those employed directly in the service of the nation, the degree of responsibility in their conduct I would desire to see there. There is still too much slackness and the acceptance of standards too low to satisfy the requirements of the hour. Behind the lines we too often and too gravely fail the men at the front, and nothing more to our shame than that can be said."

Whether the words quoted above had any particular effect or not, their ring of honesty and sincerity is decidedly impressive.

The principal objection to the New Life Movement on the part of disinterested observers is that it seeks to force upon the people adherence to a manner of life and standards of conduct which are not likely to be lived up to, much as did the attempts in America to force prohibition upon the country. Thus, although the New Life Movement has not brought the train of evils in its wake that prohibition did, it tends to breed hypocrisy and contempt for the expressed desires of those high in authority.

Almost the only visible evidence of the New Life Movement which the writer has ever observed in Chungking is that officials and those engaged in government work and their wives refrain from dancing in public places and are very wary of dancing in private homes for fear of incurring censure for having indulged in an amusement condemned by the Movement.

The campaign held in connection with the birthday celebration of the Movement to secure members and raise funds for the Society of the Friends of the Wounded has been prosecuted with zeal and apparently with success. The announced aim of the campaign was to secure one hundred thousand new members for the Society, and according to reports the full quota was attained. The writer heartily approves this movement because he believes that due to the high positions of its sponsors, the funds raised will be spent to advantage, and also because it is believed that the publicity given the campaign will tend to improve the general attitude of the people toward wounded soldiers.

While the writer does not wish to draw conclusions from isolated instances, several examples of indifference on the part of the people in general toward wounded soldiers have made a most unpleasant impression upon him. One was noted last spring when he saw several hundred maimed soldiers put ashore from junks at one of the principal gates of the city. Almost all these men had lost a leg, some both legs, and they hobbled around on the steep bank of the river with great difficulty. Not a single person was on hand to extend any assistance or to offer so much as a cup of tea or a cigarette. During the Changsha fighting last fall, a number of badly wounded men were seen lying on stretchers on the sidewalk in one of the busiestt parts of the city, but not a single passerby was observed to evidence the slightest interest in these wounded except to give them a passing glance. Recently while crossing the river in a sampan, the writer saw a wounded soldier standing up in the boat, leaning on a crutch, while at least sixteen able bodied civilians were seated. As no one else offered the wounded soldier a seat, the writer made him take his.

(2) Anti-Opium Campaign.

According to Central News, after March 30th opium addicts in Szechuan who have not broken themselves of the habit will be shot. The report adds that the Ministry of the Interior has worked out a system of relief for the families of addicts undergoing treatment to rid themselves of the habit.

(3) Cost of Living.

Prices of food and coal in Peiping, Tientsin, and Shanghai have skyrocketed, causing great suffering among the poor. Flour in Tientsin is now $21.00 Mex a bag, and it is almost impossible to buy a whole bag. Coal in Shanghai is over two hundred dollars Mex a ton.

Conditions in most parts of free China are not nearly so bad. In Chungking there has been a sharp rise in living costs, but this has been largely offset by the fact that there is little unemployment and wages are generally high. For example coolies carrying loads from the river bank to godowns and other places two years ago earned an average of about ten or twelve dollars a month. Now they can easily earn forty or fifty dollars a month. The rise in wages more than makes up for the rise in the price of rice, which is the principal article of diet of the common people here.

Coal is very high here, around one hundred dollars a ton for fuel which in normal times cost about fourteen dollars a ton. The rise is said to be due principally to the manipulations of a ring of coal dealers. An ordinary chicken now costs around five dollars, when formerly a good one could be bought for a dollar. The extraordinary high prices now prevailing for imported goods has been commented on before, but these prices affect the common people very little as they are mostly for luxuries. One important item which has however been affected by the rise in price of imported goods is ordinary cotton cloth, commonly called "coolie cloth." Because of the scarcity of cotton yarn and high prices of dyes,- the latter are imported from abroad,-cloth which formerly sold for about twelve cents a foot is now one dollar or

more a foot, a situation which decidedly affects the common people.

There is no doubt, however, that in spite of rises in the cost of living, the people generally in Chungking are much better off than in any of the cities now under Japanese occupation.

9. Enthronment of the Dalai Lama.

The five year old boy who was identified as the reincarnation of the 13th Dalai Lama of Tibet, who died in 1933, was enthroned with great pomp and ceremony in Lhassa on February 22nd. The Chinese Government sent General Wu Chung-hsin, Chairman of the Mongolian and Tibetan Affairs Commission of the National Government, to attend the ceremony and appropriated $400,000 Mex as a contribution toward the expenses of the coronation.

In recognition of his services as the spiritual and temporal ruler of Tibet during the "interregnum" between the death of the 13th Dalai and the enthronment of the 14th, the National Government conferred upon the Regent Jechen Hutukhtu the Order of the Jade, Second Class. The Regent, who was appointed by the Tibetan National Assembly and confirmed by the Chinese Government, has been the teacher of the new Dalai since he was "found," and will continue to act in this capacity until the boy reaches more mature years.

On the day that the enthronment was celebrated in Lhassa, a ceremony to mark the event was also held here. Many high officials of the government attended, among them a number of the Buddhist faith. According to press reports, Generalissimo Chiang Kai-shek was present, but this was not correct as he was away at the Kwangsi front at the time.

The local press devoted much space to publicity concerning the enthronment, and accounts of the ceremony itself were given more prominence than the war and international news. The "Ta Kung Pao" recently carried an editorial commenting on the importance of developing Tibet culturally and economically and pointing out the necessity of combatting the designs of the Japanese upon that country. The paper also commented on the excellent relations which have existed between China and Tibet since 1929.

Representing Great Britain at the enthronment was Mr. B. J. Gould, His Majesty's representative in Sikkim. According to the press reports, Mr. Gould was much impressed with the dignity of bearing and calmness of manner of the new Dalai. The child Dalai is said to have recognized Mr. Gould, who knew the former Dalai, which the papers claimed was clear proof that the child is really a reincarnation of the 13th Dalai.

10. Chinese Finances.

According to Central News the Executive Yuan decided on February 13th to float a Munitions and Reconstruction Loan, proposed by the Ministry of Finance, and the decision was referred for approval to the Supreme National

Defense Council. No announcement has as yet appeared that the loan has been approved by the Defense Council.

In an article appearing recently in "Politics and Reconstruction in China, a vernacular magaine, Dr. H. H. Kung, Minister of Finance, stated that the financial policy of the Government in 1940 will be to stabilize and raise the purchasing power of the dollar by three methods; first by the expenditure of capital in large and important industrial and economic enterprises; second, by supplying consumers' goods to the people at minimum cost in addition to government control of exports and imports; and third, by a thorough reform and readjustment of local finances.

The most important point in the reform and readjustment of local finances, wrote Dr. Kung, will be an improvement in the collection of the land tax which forms the principal source of income of the hsien (county) governments. Dr. Kung states that the revenues from this tax are now only seventy five percent of what they should be, due principally to corruption and inefficiency in collection and the inability of poor people to pay their taxes. He proposes to improve collection by the employment of trained and honest tax agents and the institution of sound audit systems. The ability of the poor to pay taxes is to be improved by the extension of rural credits and the operation of producers' and consumers' cooperatives.

If the reforms advocated by Dr. Kung can be put into effect it will be a great thing for Szechuan, now the most important province in Free China, which has long been known for the inefficiency and corruption of its methods of tax collection. One reason why Szechuan for years has produced such great amounts of opium is because ~~that~~ the poppy is the only crop which would yield enough to enable the farmer to pay his taxes, which in many instances have been collected for years in advance.

It is particularly hoped that Dr. Kung will take steps to abolish the system of "farming out" land taxes, a cruel and inefficient method of collection by which the privilege of collecting the taxes in a certain area would be sold for a lump sum to the highest bidder, who was then at liberty to get as much taxes as he could out of the long suffering people.

In connection with rural credits which Dr. Kung says will be used to help the people, it is encouraging to note in a recent Central News report that during 1939 in Szechuan alone, government and provincial agencies loaned over $27,000,000 Mex to farmers, over forty percent of which has already been paid back.

11. Visit of Sir Stafford Cripps, M.P., to Sinkiang and Russia.

Sir Stafford Cripps, Member of Parliament, who was

Read out of the Labor Party for being too pro-Communist in his views, arrived in Chungking the end of January, well supplied with credentials to the British Ambassador and other high officials such as the Viceroy of India. Sir Stafford left Chungking on February 5th, ostensibly for Urumchi (Tihwa) the capital of Sinkiang Province. Actually after reaching Urumchi he flew to Alma Ata on the Turk Sib Railway and from thence to Moscow. He returned to Chungking on March 3rd. Local press correspondents were not permitted to report the fact that he went to Russia.

Sir Stafford stated that he saw few evidences of Russian influence in Sinkiang, outside of technical advisers to the Provincial Government, and gave it as his opinion that with so large a territory of her own to develope, Russia is not greatly interested in Sinkiang. He also stated that he saw no signs of the Russian Army or Air Force in the province.

The return flight of Sir Stafford and his secretary was greatly delayed by bad weather, and according to his reports Russian aviators flying from Moscow to Urumchi do not attempt to fly under conditions which would not be considered particularly difficult for modern passenger flying. This suggests that the Russian planes are either lacking in equipment or that the pilots do not understand blind flying very well.

There has been much speculation in local foreign circles as to the reason for Sir Stafford's visit to Sinkiang and Russia. The general impression among the British here is that the trip was undertaken solely on his own initiative, probably for reasons connected with his own political career, and that he had no official status whatsoever except as a member of Parliament. He himself stated that he did not interview Stalin while in Moscow.

12. Conditions in Shanghai.

According to the Honorable Milton Helmick, Judge of the United States Court of China, who recently visited Chungking, there seems little doubt that the Japanese in Shanghai will make a determined effort at the coming elections for the Shanghai Municipal Council to increase their representation on that body. Judge Helmick states that the general feeling among Americans and British in Shanghai is that it will be very difficult to block Japanese designs in this direction.

Concerning the recent relaxation of some of the restrictions which have been imposed for months by the Japanese in Hongkew and Yangtzepoo, areas which have been under Japanese control since the summer of 1937, the general feeling here is that the relaxation of the resitrictions will not prove to be as great as is now hoped for. It is also feared that this apparently conciliatory attitude on the part of the Japanese may only be the prelude to some new act of aggression.

David D. Barrett,
Major, Inf., (DOL),
Assistant Military Attache.

b. After the iron mines have been speedily prospected and their values estimated, the estimated value may be considered as additional capital of the corporation. Thus, the amount of Chinese capital will be increased, which may enable the enterprise to be a genuine Sino-Japanese joint corporation.

c. The initial paid-up capital should be one-third of ¥10,000,000, of which it is hoped that the Chinese will pay up ¥255,000. (The Japanese side will temporarily advance ¥81,000).

d. The company is expected to be inaugurated on April 8.

III. The following mines will be placed under the control of the company at the outset:

a. Li Fu Ming Company, Nanshan, Hsiaokushan and other mines.

b. Tao Hsing Company, Tayaoshan and other mines.

c. Yi Hua Company, Huangmeishan, Loposhan and other mines.

d. Chen Yien Company, Chungshan and other mines.

e. The iron mines in the Hsiotze area.

f. Chang Cheng Company, Chingniushan and other mines.

g. Mo Ling Company, Fenghuangshan and other mines.

h. The iron mines in the Sansanchen region and other mines in the occupied area.

VI. Programme—It is expected that the output in the first year will be 1,000,000 tons. From then on there will be an annual increase of 1,000,000 tons. In the fifth year the output will be 5,000,000 tons.

(1)

II. To prevent the distribution of mining rights for strategic resources outlined under (I) the Reformed Government will modify relevant laws and regulations and institute other necessary measures.

APPENDIX

I. In accordance with the above principles, the Reformed Government and the Japanese local authorities pledge mutual cooperation in order to strive for their realisation.

II. Detailed measures will be worked out between the Chinese and Japanese authorities.

November 30, 13th Year of Showa

November 30, 27th Year of the Chinese Republic

Five copies are made of this document which are custodied by the Special Service Section of the Army, the Special Service Section of the Navy, the Shanghai Consulate General and the Ministry of Industry of the Executive Yuan.

II. In the event the Reformed Government takes any of the following actions which directly concern the Company, it should first secure the approval of the liaison directors:—

a. The conclusion and abrogation of treaties and contracts.

b. The concession, lease or mortgage of state property.

III. With the approval of the liaison director, the Reformed Government, in order to achieve the objects outlined in this agreement, and in the supplementary agreement, should enact the necessary laws and regulations and put them into force. As regards the modification or abolition of the aforesaid laws and regulations, the approval of the liaison director should first be secured.

VI. The Reformed Government should first consult the liaison director before tackling the old loans of state-owned railways and the question of rights and interests.

V. This agreement will come into effect on the day of the inauguration of the Central China Railway Company Limited.

This agreement is prepared in both Chinese and Japanese. The liaison director and the Reformed Government each keeps an original copy in Japanese and Chinese. If in case any doubt should arise concerning the interpretation of this agreement, the original draft in Japanese shall be used as the basis.

April 30, 14th Year of Showa

April 30, 28th Year of the Chinese Republic

(Signed)

Saishi Tsuda

China Affairs Board,
Central China Director.

Liang Hung-chih

President,
Executive Yuan,
the Reformed Government.

(To be continued)

OUTLINE

I. Name:—Central China Railway Company, Limited.

II. Object:—

a. Railway transportation.

b. Motor transportation.

c. Other kindred enterprises.

This company may invest in the above-mentioned subsidiary enterprises all with the permission of the government, and may operate them directly.

State-owned railways (including the Kiangnan Railway) and its subsidiary enterprises will be directly operated by this company.

III. Capital:—The total capital is $30,000,000, including $10,000,000 from the Reformed Government of the Chinese Republic, $25,000,000 from the Central China Chen Hsing Company, Limited, (including $7,610,000 commodity capital) and $15,000,000 from other sources.

Note:—(1) Part of the commodity capital will be paid up and one-fourth of the cash capital will be paid up.

(2) If the $50,000,000 is not fully subscribed, the balance will be taken up by the Chen Hsing Company, Ltd.

IV. Nationality and locality of this company:—This company is specially chartered by the Reformed Government, and its head office shall be located in Shanghai.

V. Staff:—There will be one chairman of the board of directors, one vice-chairman, three or more members of the board, and two or more supervisors. The term of office for the chairman and vice-chairman shall be four years, three years for other members of the board, and two years for supervisors.

VI. Principle of Control:—With the exception of this company, the government will not recognize the legality of other concerns engaging in railway or motor transport in Central China.

VII. The government grants the following privileges to this company.

a. Exemption from registration of corporation income and contracts entered into by the company as well as payment of all corporation taxes.

d. Appointment and discharge of chairman and vice-chairman of the board.

IX. Disposal of loans:—In anticipation of conclusion of railway loan agreements between the government and creditors, this company should take measures to meet the necessary payments for the government.

APPENDIX

I. The motor transport business of this company does not cover cities (the principle is to cover the suburbs of new cities). However, this does not include motor vehicles running between rural and urban areas.

II. The private communication lines of this company will be installed in close cooperation with the Central China Telephone and Telegraph Company, Limited.

III. Although for the sake of speedy inauguration this company is formed according to regulations formulated by its sponsors, it should be opened to the public at an opportune time so that the citizens in general may become shareholders.

GENERAL PRINCIPLES FOR THE ESTABLISHMENT OF THE CHINA AIRWAYS, LIMITED.

POLICY

In order to unify aviation enterprises in China, meet political, economic and national defense demands, and accelerate the realization of the Oriental aviation policy, there is immediate necessity for temporarily forming China Airways, Limited, with the ultimate object of establishing a regular Sino-Japanese aviation corporation.

OUTLINE

I. Name:—China Airways, Limited.

II. Business:—

a. Transport of passengers, mail and freight.

b. Chartering planes for private use.

c. Engage in other enterprises employing aircraft.

d. Promote development of civil aviation.

e. Engage in subsidiary enterprises.

f. Invest in above-mentioned enterprises.

III. Capital:—

a. Capital shall be $6,000,000.

b. Distribution of capital:—The Provisional Government of the Chinese Republic, $1,800,000; the Reformed Government, $3,000,000; the

(Continued on Page 8)

governments, and its capital by jointly furnished by Chinese and Japanese. Its head office is temporarily maintained in Peking.

V. Staff:—There will be one chairman and one vice-chairman of the board of directors, several other members on the board and several supervisors.

VI. Special rights granted to this company by the three governments:—

a. Monopoly over the aviation industry in the Chinese Republic (including aircraft manufacture), special regulations to be provided for operation of the Japan Aviation Corporation and Manchurian Airlines over China.

b. Exclusive use of state-owned airdromes.

c. Exemption from taxes on air supplies and other levies.

d. Expropriation of land.

e. Exclusive use of special signs and radio beam communication.

f. Extension of necessary subsidies by the three governments, amount to be determined by the total amount of customs duties and other levies exempted.

g. Increase of capital before shares are totally subscribed.

VII. Supervision and duty:—In addition to subjecting itself to supervision stipulated in aviation laws and other regulations promulgated in the future, this company will also observe laws and regulations announced by the three governments concerning public welfare.

VIII. The Japanese Army and Navy will grant the necessary assistance to this company in connection with the staff, supplies (loan of supplies), and use of landing fields.

IX. When a regular Sino-Japanese aviation corporation is formed, its capital, staff, and locality will not be restricted by this temporary concern.

(2)

GENERAL PRINCIPLES FOR THE ESTABLISHMENT OF THE CENTRAL CHINA TELEPHONE AND TELEGRAPH COMPANY, LIMITED.

POLICY

In order to help rehabilitate the economy of Central China, and fulfill the demand for national defense and execute the policy of a unified Japan-Manchukuo-China telegraphic communication policy, the Central China Telephone and Telegraph Company, specially chartered by the Reformed Government, is formed.

OUTLINE

I. Name:—Central China Telephone and Telegraph Company, Limited.

II. Object:—
a. Control and operation of electrical communication enterprises in Central China.
b. Hire telephone and telegraphic communication facilities.
c. Invest in subsidiary enterprises.

III. Capital:—
a. Total $15,000,000, of which the Reformed Government subscribes No. $5,000,000 commodity capital and $10,000,000 cash capital.
b. Total commodity capital paid up. Half of the cash capital is paid up in the first installment.

Note:—(1) Commodity capital refers to the Reformed Government's telephone and telegraph facilities and other supplementary equipment, estimated on the basis of original value.

(2) The Central China Chen Hsing Company will provide $6,000,000 of the cash capital, and the remaining $4,000,000 will be invested by other interested companies.

IV. Nationality and locality:—This company is specially chartered by the Reformed Government and its head office is in Shanghai.

V. Staff:—There will be one chairman and one vice-chairman on the board of directors, three or more other directors, and not more than two supervisors.

VI. Special privileges:—
a. Issuance of debentures up to twice the amount of paid-up capital. The Reformed Government will guarantee the payments of interest and repayment of capital.
b. Exemptions and reductions in taxes:—
1) Exemption of customs duties on vital machinery and supplies for the first three years.
2) Exemption of the paid-up capital and to guarantee the repayment of capital.
3) Dismissal of employees in the staff outside of employees of the Reformed Government.
4) Exempt the company from registering contracts, its corporation income and from paying all taxes.
c. Grant this company right to expropriate land, lay telegraph lines, build roads, bridges, dykes and other necessary works.

VII. Special duties:—The reformed government may issue necessary orders to this company and take the steps in connection with its facilities in order to safeguard public welfare. Losses incurred by this company will be reimbursed by the Reformed Government.

IX. Disposal of Loans:—In anticipation of telephone and telegraph loans to be concluded between the Reformed Government and foreign countries, this company should take the necessary steps to arrange for the amount of money it should turn over to the Reformed Government.

APPENDIX

I. Such issues as supplementary facilities in connection with railways and airways, and precautionary facilities, will be decided at a later date after consultation with interested parties.

II. This company will temporarily refrain from entering into the radio the broadcast and radiophone business until an opportune moment presents itself.

III. In order to speed up the formation of this company, no stocks will be issued to the public, but the company will be formed according to the regulations formulated by the sponsors.

August 10, 27th Year of the Chinese Republic or
August 10, 13th Year of Showa
(Signed) Chief, Special Service Section
Head of Reconstruction Section
Minister of Communications
Vice-Minister of Communications

(To be continued)

GENERAL PRINCIPLES FOR THE ESTABLISHMENT OF THE CENTRAL CHINA WATER AND POWER COMPANY, LIMITED.

POLICY

In order to help rehabilitate the economy of Central China, and fulfill the demand for national defense and execute the policy of a unified Japan-Manchukuo-China electrical communication policy, the Central China Water and Power Company, specially chartered by the Reformed Government, is hereby established.

OUTLINE

I. Name:—Central China Water and Power Company, Limited.

II. Object:—
a. Supply water and power.
b. Operate supplementary enterprises.

III. Capital:—
a. Total $25,000,000, of which $15,000,000 commodity capital and $10,000,000 cash capital. At the beginning, the company will operate the following enterprises in Shanghai and its suburbs:—China Light and Power Company, Chapei Water and Light Company, Pootung Power Company, Nantsiang-Lunghua Power Company, Chenju Power Company, Tuzang Power Company, Inland Waterworks and the Pootung Waterworks.
b. The commodity capital is totally paid up and half of the cash capital is paid up.

Note:—(1) Commodity capital estimated on basis of present value of property.

(2) Central China Chen Hsing Company subscribes $7,500,000 of cash capital, remaining $2,500,000 is subscribed by the general public.

IV. Nationality and locality:—This company is specially chartered by the Reformed Government and its head office is in Shanghai.

V. Principle of control:—
a. Reformed Government will not recognize power plants and waterworks other than this company's, and will give this company the necessary assistance with a view to placing similar enterprises under control of this company.
b. The government will not permit existence of private generation of electricity.
c. Generation and distribution of power will be entirely handled by this company.

VI. Special privileges:—
a. Issuance of debentures up to twice the amount of paid-up capital. The Reformed Government will guarantee the payments of interest and repayment of capital.
b. Exemptions and reductions in taxes:—
1) Exemption of customs duties on vital machinery and supplies for the first three years.

3

Head of Reconstruction Section

Minister of Industries

Vice-Minister of Industry

GENERAL PRINCIPLES FOR ESTABLISHMENT OF THE SHANGHAI REAL ESTATE COMPANY, LIMITED (Tentative name).

POLICY

To direct the execution of the reconstruction enterprises in the Shanghai area and the construction of harbors, facilitate operation and management of relevant real estate, the Shanghai Real Estate Company, Limited, is established.

OUTLINE

I. Name:—(Tentative) The Shanghai Real Estate Company, Limited.

II. Business:—Engage in the following business in the vicinity of Shanghai:—

a. Building of cities.

b. Construction of harbors.

c. Buying, selling, renting and management of land and houses.

d. Management of immovable property.

e. Supplementary enterprises.

Note:—All transfers of property and contracts for leases of land in the Shanghai area must be approved by the Company.

III. Initial capital ¥20,000,000, but may be increased by ¥10,000,000 within reasonable time. Initial capital distributed as follows:— Reformed Government commodity capital ¥10,000,000; Central China Chen Hsing Company cash capital ¥5,000,000; Japanese people cash capital ¥5,000,000. (Commodity capital represented by public property of Reformed Government). Half of cash capital paid up in first instalment.

IV. Nationality and locality:—This company is specially chartered by the Reformed Government of China. Its head office is in Shanghai.

V. Collection of land necessary for city, harbor and supplementary reconstruction enterprises.

VI. Collection of land values thereby benefitted by execution of reconstruction enterprises.

c. Exemption from tax on land for which company has not obtained leases.

d. Increase of capital before all shares are taken up

e. Permission to issue debenture-lotteries (limited to ¥10,000,000).

f. Permission to operate lottery for raising capital if other means fail.

g. Government guarantee for repayment of capital and interest on debenture-lotteries.

h. Distribution of 6% dividends to shareholders of preferred shares.

i. Government will insure 6% dividend if company is unable.

Note:—If dividend to shareholders outside of Reformed Government exceeds 6%, the surplus should be used to reimburse the government.

VII. Government supervision and special duty:—

a. Reformed Government will supervise the company's business.

b. Company will engage in city and harbor construction under supervision of the Shanghai Metropolitan Construction Bureau.

c. Reformed Government will expropriate the necessary land for the Company's enterprises.

Note:—Company will pay for land with company's debentures to the Reformed Government, which will reimburse owners of condemned land with same debentures.

d. Roads, parks and other improvements made in the course of developing lands under the company will become property of the Reformed Government.

e. The Reformed Government's approval is necessary for the following:—

1) Appointment and discharge of chairman and vice-chairman of board

2) Important alteration in organic law.

3) Issuance of debenture-lotteries.

4) Issuance of lotteries.

5) Disposal of profits.

6) Dividends on shares [illegible]

7) Other [illegible]

APPENDIX

In order to speed up formation [illegible] company, no shares will be sold to the public. In the future, if more capital is needed, shares will be offered to Japanese, Manchurians, Chinese and third power [illegible].

November 7, 27th Year of the Chinese Republic, or November 7, 13th Year of Showa.

(Signed): [redacted]

Minister of Interior

Vice-Minister of Interior

Chief, Special Service Section

Head of Reconstruction Section

DOCUMENT PERTAINING TO DIRECTION AND SUPERVISION OF SINO-JAPANESE JOINT CORPORATIONS WITH INVESTMENTS OF THE CENTRAL CHINA DEVELOPMENT COMPANY.

POLICY

With a view to rehabilitation of Central China economy and thoroughly carrying out the principle of Sino-Japanese rapprochement, Japanese local authorities and Reformed Government authorities resolve to effect close cooperation in directing and supervising the Central China Development Company (henceforth referred to as the Chen Hsing Company), whereby its investments in Sino-Japanese joint corporations may bear fruit.

OUTLINE

I. The Reformed Government assumes the duty of directing activities of the Company and supervise its administration.

II. Joint Sino-Japanese companies should secure the Government's approval for the following:—

a. Important changes in organic law.

b. Appointment or discharge of chairman and vice-chairman of the board.

c. Decisions on mergers or liquidation.

Besides the aforementioned, the Shanghai Real Estate Company should also seek the government's approval on the following:—

a. Issuance of debenture-lotteries and lotteries.

b. Disposal of profits.

c. Other important matters.

Before giving consent, the government should first consult Japanese local authorities.

III. Reformed Government should first consult with Japanese local authorities before handling cases of insolvency or liquidation of joint Sino-Japanese corporations.

(4)

V. In case of urgent military necessity, Japanese local authorities may issue orders to joint corporations directly, and inform the Reformed Government of the same.

VI. Japanese local authorities and the government will seek the consent of Chen Hsing company officials beforehand concerning the following actions taken toward joint Sino-Japanese corporations:—

a. Appointment and discharge of manager executives, treasurer and chief technician.
b. Changes in organic law.
c. Decisions on mergers or liquidation.
d. Business projects.
e. Flotation of corporation debentures.
f. Other important matters.

Concerning (b), joint corporations should first seek the consent of the government if thought necessary by the government. They should also seek approval of the Chen Hsing Company.

VII. When approached on (b), the Chen Hsing Company should consult the wishes of Japanese local authorities and government authorities before making a decision.

Eight copies are made of this document and are placed in the perpetual custody of the Army Special Service Section, Navy Special Service Section, Shanghai consulate, Executive Yuan, Home Ministry, Pacification Ministry, Industry Ministry and Communication Ministry.

December 15, 27th Year of the Chinese Republic, or
December 15, 13th Year of Showa.

(Signed):

Kumakichi Harada,
Chief, Army Special Service Section.

Naokuni Nomura,
Chief, Navy Special Service Section.

Goto,
acting for Shanghai Japanese Consul General.

Liang Hung-chih,
President of Executive Yuan,

Chen Chuh,
Minister of Interior.

Len Yuan-tao,
Minister of Pacification.

Wang Tze-hui
Minister of Industry.

Chiang Huan-cheh,
Communications Minister.

OFFICE CHIEF OF STAFF
MIL., INTEL. DIV.
APR 28 1940
WAR DEPARTMENT

AMERICAN EMBASSY
Office of the Military Attache

Chungking, China,
March 23, 1940.

RECEIVED G/2 W. D. APR 22 1940

Subject: Comments on Current Events (Number 4).

To: The A.C. of S., G-2, War Department, Washington, D.C.

1. New Government for Occupied China.
2. Relations with the Chinese Communists.
3. Return of American Ambassador to Chungking.
4. Yunnan Railway.
5. Relations with Great Britain.
6. Relations with Soviet Russia.
7. General Economic Conditions.
8. Conditions in Kweichow Province.
9. Opium Suppression.
10. Conferences.
11. Local Conditions.

1. New Government for Occupied China.

With the convocation of the so-called "Central Political ~~Council~~ Conference" in Nanking on March 21st and the announcement that Wang Ching-wei had been empowered by this body to settle peace terms with Japan and bring the new government for occupied China into being on March 30th, it would appear that the puppet regime is at long last about to assume definite form. There have been so many postponements, however, of the inauguration of this regime that additional delays would not be surprising. A separate report, summarizing as far as they are known the facts in connection with the new government, accompanies these "Comments on Current Events."

As far as can be determined at this time, the establishment of the new government will leave the area now under the administration of the Provisional Government of China practically autonomous except in the handling of the most important foreign affairs. This apparently discredits reports which have been in circulation for some time that Wang Ching-wei was determined to reduce the powers of the Provisional Government as much as possible. Supporting these reports of Wang's ambitions in North China, local military circles stated it as their opinion that the relief of Major General Kita, head of the China Affairs Board in Peking, and Colonel Sakai, in charge of the activities of the Japanese Army Special Service Section in Kalgan, was largely due to the fact that these two had consistently opposed any curtailment of the powers of the Provisional Government and the Autonomous Government of Inner Mongolia.

A report from a reliable source in Peking states, however, that the relief of Kita and Sakai was a matter of routine Army administration. This source is well acquainted with Major General Kita and his impressions of him are interesting. He states that he is a courteous, affable officer, and for a Japanese in his position, quite broad in his views. Kita, so reports the source, has consistently advocated direct dealing with Chiang Kai-shek as a means of ending the China incident rather than by setting up the Wang Ching-wei regime, to which he has been consistently opposed.

This same source, who is ~~only~~ on very close terms with Wang Ke-min, head of the Provisional Government of China, states that Wang, all reports to the contrary notwithstanding,

File

is in direct communication with Chiang Kai-shek, and the source expects Wang to continue in his present capacity if Chiang desires him to, provided of course that the Japanese do not remove Wang from office. Wang Ke-min, according to the source, would like very much to be the means of bringing about successfull peace negotiations between Chiang Kai-shek and the Japanese as he thinks this would restore his standing in the eyes of those loyal to the National Government. Chiang Kai-shek, however, has so far never given Wang Ke-min an opportunity to further his desires in this direction.

The terms on which Wang Ching-wei has settled, or will settle, with Japan have never been announced, and in spite of the alleged exposes of Messrs Kao and Tao, referred to in previous "Comments on Current Events" from this office, it is probable that the exact nature of these terms will not be known for some time, if ever. An announcement of the terms at this time would mean little, for there would be no way of knowing whether they were correctly reported or how many secret conditions were not disclosed.

Now that the establishment of the puppet regime appears imminent, considerable attention is being paid to it in both official and unofficial circles, and reports concerning the new regime, coupled with bitter denunciations of Wang Ching-wei and his "running dogs" have occupied much space in the public prints for the past several days. The local press welcomed with glee the characterization of Wang Ching-wei as "a sanctimonious hypocrite selling his own countrymen down the river," which appeared in the New York "Times" on March 20th after a henchman of Wang's had made a statement in Shanghai that American newspapers had been publishing "inspired editorials tending to discredit him."

The general tone of expressions of opinion in the press and informed circles is that the establishment of the new regime will mean little as far as the National Government is concerned as the puppet government will have to be maintained almost entirely by the power of Japanese bayonets. Hence but little change can be expected in the status of the area which will be under the nominal administration of the new regime. In other words, it will be a case of what the Chinese call "Huan t'ang, pu huan yao," "Changing the liquid in which the medicine is dissolved, but leaving the ingredients of the medicine unchanged."

Reference was made in the last "Comments on Current Events" submitted from this office to the opportunity which the establishment of the new regime will give Japan to harass foreign powers in China through a government which the powers will not recognize and to which they accordingly cannot protest if the Japanese, as they may be expected to do, disclaim responsibility for acts of the new regime inimical to foreign interests. An indication in this connection was the statement made by the Japanese Embassy spokesman in Shanghai on March 15th to the effect that he doubted if third powers could ignore the Wang Ching-wei government, as it would leave them no one with whom to negotiate concerning matters in the area under control of the new regime. The Shanghai "Ta Mei Wan Pao" on March 22nd predicted that "the new regime would no doubt come out with many political jacquinots, most important of

which would be its anti-foreign agitation, since the world mocks at Wang Ching-wei."

Statements appearing in the Japanese and pro-Japanese Chinese press that the new regime will agitate for a return of the foreign concessions may fool a few simple Chinese, but it is difficult to see how any intelligent person could be deceived by such patent sophistry. The picture of Japan, who consistently refused to make any step toward the rendition of her concessions as long as China was an independent nation, now that she has conquered most of China giving vent to pious mouthings about forcing the return of concessions in order to remove obstructions to China's sovereignty, is indeed a sorry if not disgusting spectacle. It must be admitted, however, that while Japan's apparent plan to harass third powers through the new regime appears a cowardly and contemptible act for an allegedly great nation, it is a decidedly clever political move which the powers will find very hard to block.

As was to be excepted, the announcement of a definite date for the establishment of the new regime brought forth a flood of declarations from various organizations and societies, principally in Shanghai, supporting the new government. Central News, Hongkong, claimed on March 22nd that out of over one hundred names of various guilds which were among the organizations alleged to have pledged support to the new government, sixty five were either non-existent or were in process of formation, while forty one had long since ceased to exist. Central News further claimed that scores of notices have appeared in Shanghai papers from organizations strenuously denying that they support Wang Ching-wei, among which organizations were the Shanghai Bank's Club and the Native Banks Guild.

While experience in Peking at the time of the establishment of the Provisional Government of China leads the writer to believe that while probably many of the organizations alleged to have come out in support of Wang Ching-wei did not exist or had their names taken in vain, doubtless some genuine organizations, for selfish interests or because of fear of the Japanese, did line up behind the new regime.

At the present time, to judge from the disgust with which the establishment of the new regime is regarded here, it would seem out of the question that a rapprochement between the National Government and the puppet government could ever be brought about. Nevertheless, it is the opinion of the writer that if the affairs of the new government are managed with any degree of skill, time will gradually close the breach between the two governments. By this the writer does not mean that he expects the National Government, at least as it now exists, ever to recognize the Wang Ching-wei regime, but he does expect that a gradual assumption of trade relations between persons residing in the territories of the two governments will eventually bring them closer together.

Trade is the breath of life of the Chinese, and to expect even loyal business men in Free China to refrain indefinitely from doing business with men of their own race in occupied China, would be, in the opinion of the writer, putting too great a strain on human nature. But in order for it to be possible for business to be carried on between the two areas of Free and occupied China, Chinese, even though they be traitors and "running dogs," must be allowed a considerable hand in the administration of the new regime. In other words, if the Japanese Army continues to dominate the new regime com-

pletely there will be little chance of trade relations between Free and occupied China. Thus the hope of success of the new regime, and to a large extent the success of the Japanese attempts to establish a new order in East Asia, depends upon the exercise by the Japanese Army of some degree of good judgement and moderation, qualities in which in the past it has been conspicuously lacking.

In the opinion of the writer if the Japanese are to win out in the present war, they must find some way of making money out of the part of China which they now occupy. This means that they must not only curtail their expenses in occupied China, in other words by withdrawing a large proportion of their troops, but they must effect a least a partial restoration of normal business conditions in the area which is now under their domination. If the Chinese keep up military resistance, the withdrawal of large bodies of Japanese troops will be very difficult, and if the Japanese Army continues to act as it has in the past, revival of trade activities will be virtually impossible. Consequently the writer is still backing the Japanese Army, because of its stupidity, corruption, and ineptitude in the handling of political and economic affairs, as having at least a fifty-fifty chance of bringing about an eventual Chinese victory.

2. Relations with the Chinese Communists.

Reports from both sides indicate a steady deterioration in relations between the National Government and the Communists. Reliable official sources state that the National Government is seriously concerned over the reported spread of Communist influence in south Hopei, in parts of Shantung, and in areas on both sides of the Yellow River in Anhui. A reliable American who recently discussed the Communists with Chiang Kai-shek states that the latter expressed a desire to treat the Communists fairly and to get along with them if humanly possible, but if they continued to work against the interests of the National Government, he was prepared to use force against them.

On the other hand, reports from Communist sources are one long hard-luck story of alleged injustices on the part of the National Government. The Communists claim that General Chiang Ting-wen, commanding in the area in which most of the Red-controlled districts of Shensi and Kansu lie, is determined that the number of Communist hsien in these provinces shall be reduced to twelve. General Chiang is said to have expressed his willingness to take all National Government appointed hsien officials out of these twelve hsien, but on theother hand he has demanded that all Communists move out of districts not included in the twelve hsien he is willing to allow them.

Communist reports, confirmed in official government circles, state that Fu Tso-yi, commanding National Government troops in north Shansi and north Shensi, has recently moved troops to the important crossing of the Yellow River near Sui-teh, Shensi, over which crossing communication is maintained between the Communist area and northern Shansi. General Hu Tsung-nan, Commanding in the Sian area of Shensi, is reported to have sent three divisions into the Linfen-Chuntu area of southwest Shansi in order to watch Red forces stationed in districts north of this area. The purpose of these moves, so the Communists maintain, is to prevent Communist forces from leaving their portion of the anti-Japanese front in Shansi, which the Communists have threatened to do unless forces of

the National Government cease actions inimical to Communist interests in Shensi and Kansu.

Communist sources also report that the National Government has recently sent six divisions into southern Hopei, where clashes have recently occurred between government troops and Red forces, but the Communists state that at present they do not know whether the reinforcements have been despatched to fight them or the Japanese.

The Communists complain that the National Government has adopted a hostile attitude toward the forces of the 4th Route (Communist) Army operating on both sides of the Yellow River in Anhui Province. They state that the 4th Route Army was formerly allowed to occupy twelve hsien in this area, but that the National Government has reduced this number to nine and wishes all 4th Route Army forces to move south of the Yellow River.

From a careful evaluation of reports from National Government and Communist sources, it appears that the Generalissimo is sincerely desirous of treating the Communists fairly and of getting along with them in order to preserve the united front against Japanese aggression, but that the ultra-reactionary elements of the Kuomintang, always unalterably opposed to the Communists, are now stronger than they have been at ay time during the war, and not only is the Generalissimo influenced by reports unfavorable to the Communists which reach him through ~~these~~ biased channels, but it is also likely that orders issued by him with a view to improving relations with the Communists are not carried out at all or only in such a way that they do not fulfill the purpose for which the Generalissimo intended them. It is, after all, not to be expected that the Generalissimo can personally check up concerning the execution of orders vis-avis the Communists, hence it is probably not a very difficult matter for authorities on the ground to get around his desires if they so wish.

French official circles, always sensitive to any trend toward the extension of Communist, and consequently of Soviet, influence in China, are frankly worried over the reports of increasing Communist strength in the areas referred to above. It is a safe assumption that the French will use whatever influence they have with the National Government to oppose the Communists in every possible way.

The writer believes that because of the necessity of taking into consideration the feelings of Soviet Russia, and other considerations such as the filip to Japanese morale which would be given by an open break in the united Chinese front and the unfavorable reaction in liberal circles abroad to a serious National Government-Communist fight, Chiang Kai-shek and the wiser heads in the Kuomintang Party will be able to prevent civil war in China, for some time at least. The Soviet reaction to such a war has been previously reported, namely that it would probably result in a considerable lessening, if not an absolute cessation, of Soviet aid.

In the final analysis, it is difficult for the writer to see why the National Government should consider the Communists and their activities of sufficient importance to ~~consider~~ think that a war against them would be worth the risks involved.

CONFIDENTIAL

The thirteen members of the staff of the "Hsin Hua Jih Pao," the Communist newspaper published in Chungking, whose arrest was reported in the last "Comments on Current Events," have been released. According to the Communist side of the story, the Tangpu (local headquarters of the Kuomintang) finally had to let them go, even at the risk of losing face, when neither the local police nor military police would press any charges against them.

3. Return of the American Ambassador to Chungking.

The return of the American Ambassador to Chungking on February 29th was prominently featured in the local vernacular and foreign language press, and sentiments of the most cordial welcome were freely expressed. Special stress was laid on the fact that with the return of Mr. Johnson, there are now four Ambassadors in the war-time capital, those of the United States, Great Britain, France, and Soviet Russia. Commenting on this fact and greeting Mr. Johnson, the local "Central Daily News" made complimentary references to the pleasant relations exisiting between China and the four nations represented by the ambassadors.

"Great Britain," said this paper, " is not able to help China much now on account of the European war, but with the exception of a few slips due to over-caution, she stands for right and for the Nine-Power Treaty. Captain Anthony Eden says that Great Britain follows the United States with regard to assisting China, and we believe the British Government still adheres to this policy.

"France," continues the article, "plays an indispensible part in the restoration of peace and order in the Far East, while Russia not only sympathizes with China but maintains a firm and righteous attitude in supporting us. America, as the author of the Nine-Power Pact, will be certain to prevent Japanese hegemony of the Far East. Though America refuses to go to war, the American people are for China. The Chinese believe that when the time comes there will be further manifestations of American pressure against aggression in the Far East."

The slight slap at Great Britain and the expression of wishful thinking concerning the United States woven into the complimentary language quoted above are obvious. It was evident, however, both from the expressions of the press and of individuals that the Chinese were genuinely glad to have the American Ambassador back in Chungking. One or two Chinese expressed to the author some surprise that Mr. Johnson would visit the occupied area of the Yangtze Valley on his way back from Peking, but these persons seemed to understand when it was pointed out that in order to present China's case to his government as effectively as possible, it was necessary for the American Ambassador to have an accurate knowledge of conditions in occupied territory.

4. The Yunnan Railway.

According to a very highly placed official French source, negotiations are still going on between France and Japan concerning the shipment of what the Japanese are pleased to call munitions of war into China over the Yunnan Railway. This source attributes the fact that the railway has not been bombed since last month to a desire on the part of the Japanese not to aggravate the situation as long as negotiations

are going on.

The source states that the negotations have practically reached a deadlock, as France has no intention of receding from the stand she has already taken, namely that while no munitions of war will be shipped over the railway, gasoline cannot be considered as coming within this category. Hence the sticking point in the negotiations has narrowed down to the question of gasoline shipments. The source expects bombing of the railway, perhaps on a more intensive scale than in the past, to be resumed at any time as soon as the Japanese have become convinced that the French are determined to continue shipments of gasoline.

The statements noted above discredit rumors in circulation here ever since the cessation of bombings of the railway that some kind of an agreement has been reached between the French and the Japanese concerning the railway. These rumors, which several French business men of good standing have told the writer they were inclined to credit, have it that while the French have taken a strong stand concerning their right to operate the railway without interference on the part of the Japanese, they have nevertheless made certain concessions, the nature of which is not known. As the only concession which would mean anything to the Japanese would appear to be the cessation of gasoline shipments, it seems likely that no agreement has been reached and the rumors to this affect are without foundation.

That the French are taking as strong a stand in the Far East as can be expected in view of the European war, is evidenced by the fact that the French-Japanese trade agreement was allowed to lapse on March 15th, and according to all reports France has no intention of renewing it. United Press reported from Paris on March 5th that France had so far rejected Japanese suggestions for a French declaration recognizing "the actual situation in China, where hostilities on a large scale are now in progress." Another manifestation of present French feeling toward Japan was the removal of mail for censorship from the Japanese steamer "Saigon Maru" by French authorities in Haiphong on March 6th. Little has been heard of this incident since its occurence, possibly due to the fact that negotiations, as noted above, are still going on between the French and Japanese concerning the Yunnan Railway.

5. Relations with Great Britain.

In view of fears which have recently been expressed in some well informed quarters here that the situation in Europe may cause England eventually to make some kind of concessions to Japan at the expense of China, it is encouraging to note indications in press reports that a considerable section of British public opinion would be opposed to any such action. On March 7th the London "News Chronicle" (quoted by Havas) stated; "It is quite natural under the present circumstances that Great Britain should desire to reduce as much as possible any causes for friction with Japan, but this does not mean that she would condone a Far Eastern Munich. Although Great Britain would welcome an improvement in her relations with Japan in view of her preoccupation in Europe, she is equally determined to do nothing that might harm China, nor in any way alter her policy toward the Chinese National Government. The British people

would be glad to see the war in China ended and with it China's sufferings. They are not prepared, however, to stage a Far Eastern Munich to condone Japan's aggression and to sell China in return for Japan's friendship." An official statement in somewhat the same tone as the above was made in the House of Commons on March 11th by the British Under-Secretary for Foreign Affairs to the effect that it continued to be the policy of the British Government that the independence of China should be preserved.

The concensus of informed opinion here is that the danger of Great Britain's making some kind of compromise with Japan at China's expense will come after the new Wang Ching-wei government has been set up, as it is believed that Japan might be willing to make some definite concession to Great Britain, such as opening the Yangtze River to British shipping, in return for any kind of recognition of the puppet regime.

6. Relations with Soviet Russia.

The news of the cessation of hostilities between Russia and Finland was received here with undisguised pleasure as it is generally believed that Russia will now be able to take a much stronger attitude toward Japan than she has been able to assume since the outbreak of the war in Europe. The danger of a Russo-Japanese non-aggression pact is now considered very slight. Few, if any, expressions of sympathy for the Finns have been heard in Chinese circles here.

The personnel of the Russian Embassy here give frequent tea parties for Chinese officials and the members of the diplomatic body. These parties are always well attended by Chinese officials of high rank, such as heads of yuan and Cabinet Ministers and the attitude of these officials toward their Russian hosts appears very friendly. At a reception given by the Soviet Military Attache in celebration of the anniversary of the establishment of the Red Army on February 23rd, almost every high military official in Chungking, except the Generalissimo, was in attendance, but the French and British Military Attaches were conspicuous by their absence.

Several foreigners who have contacts with the Soviet Embassy have recently been heard to remark that the personnel of this Embassy appeared to be of distinctly lower caliber than one would expect of the diplomatic representatives of the Soviet Union in a capital as important as Chungking. As far as the writer is concerned, the majority of this personnel impresses him as men of distinctly inferior education, and as far as he is able to judge, of mediocre abilities.

7. General Economic Conditions.

The writer has recently heard the opinion expressed by well informed observers that China's most noteable advancement since the outbreak of the war has been in the quality of her Army, and to this view the writer subscribes. While not all Chinese troops impress one favorably, the general average is far and away above that encountered shortly before the war. Observers generally agree that in spite of staggering losses on the field of battle, China's military strength is now greater that at any other time during the war, and as far as the military situation is concerned, she has not much to worry about.

Certain aspects of the economic situation are, how-

ever, not so encouraging. The gradual decline in the Chinese currency is disquieting as it has resulted in a virtual inflation which has seriously affected the buying power of the dollar and has been a contributing cause to the high prices which cause much suffering among the people and in turn inevitably sap the power of national resistance. The dollar has weakened appreciably in the past few days, possibly as a result of the reports of the impending establishment of the new Wang Ching-wei regime. This weakening may be only a temporary decline, but any tendency of the dollar to further loss of buying power is distinctly disquieting.

A feature of the economic situation which does not affect a very large proportion of the population but tends to react unfavorably upon the efficiency of government is the fact that all public officials in free China are now paid very low salaries. In the case of high officials this generally works little hardship, as most of them have private fortunes or their offices ~~bring them~~ derive income outside of their pay, but in the case of minor officials, particularly those stationed in Chungking where the cost of living is exceptionally high, these very low salaries not only make life difficult but tend to encourage graft, corruption, and the taking of squeeze. At the present time many of the "white collar class" in Chungking are worse off than common, unskilled laborers, for while living costs have increased greatly for the latter, their wages have more than risen in proportion, but the former are not only faced with the highest living costs which China has ever seen, but are generally paid less than they were before the war broke out.

Furthermore, the government official is continually being forced to contribute to all sorts of causes, such as for helping wounded soldiers, support of war orphans, relief of soldiers' families, providing winter clothing for troops, and many others. In most cases there is no option as to whether or not the contribution will be made, it is simply deducted from the pay of the official. This amounts to a virtual tax upon the official's salary, and it is unfortunate that in many instances it is not certain that the funds thus deducted are ever expended for the purposes for which they are presumably intended.

A foreigner who is well informed on economic matters and has ~~recently~~ travelled extensively in Free China recently told the writer that in his opinion one of the most unhealthy features of the present economic situation is that too much money is being spent in the Northwest for projects some of which are of doubtful value, such as propaganda work to bring Tibetans and inhabitants of Sikong Province into the fold of the National Government. According to this foreigner, it is easy to obtain from the National Government funds for such purposes or for alleged reconstructions projects from which there is little hope of return and in many cases these funds are either wasted or misappropriated.

The steadily rising cost of living in Free China is disquieting. Some of this rise is due, as noted above, to inflation of the currency, but in large degree it is due to the heavy demands for all sorts of commodities brought about by war conditions. A symptom of this high cost of living was the rice riot which occurred in Chengtu on March 14th. Two ~~rioters~~ were killed by the police in this riot and a number injured, while considerable damage was done to the godown belonging to the Bank of China ~~which~~, which it was alleged considerable quantities of rice had been stored for the purpose of forcing up the price. Actually rice has been

high in Chengtu because of a spell of dry weather which threatened the crop for this year, but it is generally believed that manipulation has also been a contributing cause. Recent heavy rains throughout Szechuan have lowered the price of rice in Chengtu and generally relieved fears that crops all over the province might be bad this year. When the rains set in, Dr. H. H. Kung, Minister of Finance, remarked that while the recent $20,000,000 credit granted to China by the U.S.A. was a great help, the rains were worth many times more.

An encouraging note in the economic situation is the recent Central News report that the four Government Banks are giving special attention to measures for the extension of agricultural loans during 1940. These loans are to be extended to farmers' societies, to individual farmers, and to agricultural improvement organizations. Special attention is to be paid to loans in Szechuan and Sikong.

While it is inevitable that in an area as large as Free China, the resources of the National Government will not be sufficient to extend enough aid to make a material difference in the situation of the average farmer, still it is encouraging to note that the interests of the farmers, who in large degree are the backbone of the Chinese nation, are receiving consideration.

An official of the Famers' Bank of China recently paid tribute to the honesty of farmers in repaying agricultural loans. This official stated that before the Japanese occupied Kaifeng, Honan, the Bank had loaned $150,000 to farmers in that area. After the Japanese took over the district, the Bank considered these loans as uncollectable, but recently the farmers on their own initiative paid back most of the loans in national currency brought, in many cases with great difficulty, to the provisional provincial capital of Honan.

8. Conditions in Kweichow Province.

According to the report of an American, considered a qualified observer, who recently visited Kweichow Province, the Provincial Chairman, Mr. Wu Ting-chang, is an able man who is doing his best to administer his office efficiently. Financial affairs of the province are largely in the capable hands of Dr. Y. T. Tsur, a former president of Tsing Hua University, Peking, and for many years identified with educational and philanthropic enterprises in the former capital.

Although this American reports that the energy and efficiency displayed by the Chairman and the Finance Commissioner are not reflected in all departments of the provincial administration, particularly among many of the minor officials such as the hsien magistrates, it is still his definite impression that Kweichow, long considered one of the most backward areas in China, is making definite progress on several lines, particularly the promotion of business and industrial enterprises and in opium suppression. The high provincial officials and most of the subordinate ranks are generally loyal to Chiang Kai-shek and the National Government.

Reports from several sources speak very highly of the Chinese Red Cross Hospital maintained in Kweiyang, Kweichow, under the direction of Dr. Robert Lim. According to the reports the institution is efficiently managed, funds are economically expended, and the whole set-up is most impressive particularly because of the ingenuity and resourcefulness displayed in the use of locally produced materials and appliances to replace expensive foreign products. The hospital is doing exceptionally good work in the rehabiliation

of mutilated soldiers and civilians wounded in air raids. The reports concerning this hospital are encouraging to hear because of theincaluable amount of suffering which the Chinese wounded have had to endure, but according to ~~reports of~~ persons who have visited in areas where there has been considerable fighting, the plight of the wounded is still a most pitiable one and because of inadequate medical personnel, insufficient funds, and lack of equipment, it must be expected that it will be a long time before China will be able to care for wounded soldiers in anything like the way a first class Western nation would look after them.

9. Opium Suppression.

Somewhat to the surprise of the writer, the campaign to stamp out the opium evil in Free China seems to be making some progress. It is of course as yet too early to judge of the results and too much must not be expected in a short time in the eradication of a traffic of such long standing and in the hands of such strongly intrenched vested interests. From appearances, however, a really serious effort is being made to effect some improvement in present conditions.

The writer recently talked with Dr. Chang Po-ling, President of the Nankai Middle School, who is prominently identified with the campaign. Dr. Chang, who took an active part in opium suppression in Tientsin some years ago and has had considerable experience in this line of work, states that the Generalissimo is energetically backing the present campaign and is determined that definite results shall be achieved. Dr. Chang states that more than thirty opium traffickers have already been shot and he does not doubt that many addicts who have failed to breakt hemselves of the habit before the advent of the deadline set for March 30th will also be executed. Dr. Chang states that the amount of opium planted in Szechuan and Kweichow will be greatly reduced this year, but that it will of necessity take a long time to curtail the amount planted in remote parts of these provinces and in distant areas such as Sikong.

Dr. Chang has a high reputation for energy and integrity and the writer attaches considerable weight to his reports about the opium suppression campaign, His statements are corroborated by Dr. J. Leighton Stuwart, President of Yenching University, Peking, who recently returned from a trip to Kweichow and reports that the campaign there is being energectically pushed.

When one thinks of the efforts that are being expended by the Generalissimo, backed by many honest and high-minded officials, to eradicate the curse of opium from Free China, it is the more discouraging to note the callousness and shamelessness with which the Japanese and some of their "running dogs" among the Chinese are pushing the traffic in occupied China. Reports, which cannot be confirmed, state that Major General Kita, recently relieved as Peking head of the China Affairs Board of Japan, made $20,000,000 out of his squeezes in connection with the opium traffic and that his relief was in no small measure due to the scandal stirred up by this state of affairs.

10. Conferences:

The Personnel Administration Conference convoked by the Examination Yuan opened on March 11th and adjourned on March 16th. The most important act of the conference was the passing of a resolution, proposed by the Examination Yuan, providing for a special commission, the Central Academic Examination Commission, to coordinate the work of the Examination Yuan, the Academia Sinica, and the Ministry of Education. The press reports that the Examination Yuan hails the formation of the commission as an important step in the readjustment of the Chinese Civil Service. A short separate report on the newly formed commission accompanies these "Comments on Current Events."

The holding of this conference is reported because it indicates that the National Government attaches importance to the establishment of a real civil service for China, which to all intents and purposes does not exist at the present time. In probably no other country in the world does the spoils system for the appointment of public servants prevail more completely than it does in China. Because of the thoroughness with which nepotism is ingrained in the body politic, some informed observers are of the opinion than a real civil service for China can never be established and maintained. The writer feels, however, that any indications that the National Government is studying this question should be noted.

A Citizens' Educational Conference was held here during the period March 11th to March 16th. Twenty one provincial and municipal representatives attended, among them the Education Commissioners of Kansu, Kwangsi, Kwangtung, Sikong, Szechuan, Suiyuan, Hupeh, and Shensi. In addressing the opening session of the conference, Mr. Chen Li-fu, Minister of Education, exp stressed the importance of citizenship training as a prerequisite to the institution of constitutional government. As China is scheduled to adopt a constitution this fall, Mr. Chen's remarks were timely, but it is doubtful if much can be accomplished in the way of citizenship training before the time for the adoption of the constitution.

Immediately following the Citizens' Educational Conference, a Middle School Conference and Social Education Conference were held here, many of the delegates to the Citizens' Educational Conference attending the latter two. The holding of these conferences is reported because it is believed that such meetings are an effective means of strengthening the loyalty of the people toward the National Government, as most of the educators whoewere in attendance probably returned to their posts cheered by the evidences so plainly visible in Chungking that Chiang Kai-shek and the present Government of China are firmly in the saddle.

11. Local Conditions.

(1) Friends of the Wounded.

The local campaign to secure members of the Society of Friends of the Wounded has been most successful. It was reported on March 20th that the 601,018 members had been enrolled, six times the original goal, and $1,037,078.59 had been collected. The writer believes that this campaign will improve the attitude of the general public toward wounded soldiers, as the average person, after having made a money contribution toward a cause, is usually personally interested in the work thereafter.

(2) Observation of the Anniversary of the Death of Sun Yat-sen and Celebration of the Anniversary of the Inauguration of the Spiritual Mobilization Movement.

The two anniversaries noted above were celebrated on March 12th. The principal feature of the celebrations were four mass meetings held in different parts of the city. The largest meeting was addressed by the Generalissimo. He urged the people to adhere to the twelve articles of the National Pact of Spiritual Mobilization, particularly the pledges against buying enemy goods, accepting enemy and bogus currencies, and working for the enemy. "We must realize," he said, "that every match we buy and every enemy and puppet banknote we accept will mean helping the enemy to kill one more of our fellow countrymen and to occupy an extra inch of our territory."

After the meetings torchlight and lantern processesions, participated in by an estimated 100,000 persons, moved through the streets of the city. These were impressive spectacles and the participants showed more enthusiasm than the writer has noted in previous demonstrations of the sort.

To an outsider the difference between the New Life Movement and National Spiritual Mobilization is rather difficult to understand and the two seem to overlap in a good many respects. Both, for exampke, lay emphasis on the abolition of opium smoking, gambling, and the leading of a luxurious life, but Spiritual Mobilization puts more stress on the bringing to bear of spiritual forces to combat the enemy in the present war. The New Life Movement, on the other hand, which had its inception before the war, seeks to effect a regeneration in the life of the people which will be beneficial in times of peace as well as of war.

According to Reuter, considerable space was devoted in newspapers in Moscow to comments on the aniversary of the death of Dr. Sun Yat-sen. The papers recalled his plea for strengthening the alliance with Soviet Russia and for collaboration with the Communist Party, and his support of the movements of the workers and peasants. The Moscow "Pradva" declared that Dr. Sun's last will and testament has become "the banner of the great war of resistance and liberation against Japanese imperialism."

It is a sad and ironical fact that the last will and testament, referred to above, of China's great Leader should have been written by Wang Ching-wei, whom all loyal Chinese now denounce and despise as an arch traitor.

(3) Evacuation of the Population.

Although the results are not visible to the naked eye and to the casual observer the city appears to become more crowded every day, there are many reports that the campaign to reduce the population is being prosecuted with some vigor. It is definitely known that all Chinese are required to obtain residence permits and many who have been unable to prove they are engaged in some useful occupation, or else have ~~not~~ no influence, have been compelled to leave town. Some progress is being made in the erection of houses and shelters for evacuees in locations outside the city, but it is evident that the number of persons who can be accomodated in these is small compared to the number which would have to be evacuated to effect any material reduction in the population of the city. Furthermore, ~~many~~ many persons who have been evacuated return again at the first opportunity and this is very difficult to prevent. As long as there is easy money to be made in Chungking, as is now the case, it will be difficult to reduce the population to any extent.

Of course a severe air raid would do more to cause people

to leave the city than any attempts on the part of the authorities to effect evacuation. Fortunately, in the opinion of the writer, while the property damage from such a raid would probably be large, it is not likely that the casualties would be nearly as high as in the first raids last spring, as bomb-proof shelters, while still not adquate to protect the entire population of the city, can ~~still~~ afford shelter to a very large number, and in addition the air discipline of the people under raid conditions may be expected to be good. The recently constructed fire lanes will certainly reduce losses from fires following bombings.

(4) City Improvements.

Although set in natural surroundings of surpassing beauty, because of its dirtiness and the ugly and ramshackle appearance of most of its buildings, Chungking is generally considered to be one of the most unattractive cities in the world. Considerable work is being done, however, to remedy this condition, principally by widening and improving some of the streets in the main part of the city and by laying out several attractive park areas. The widened and improved streets are also valuable as fire lanes.

Several foreigners have remarked on the fact that improvements now being carried out immediately adjacent to the Headquarters of the Military Affairs Commission are making this important military objective much more plainly visible from the air than it has been hitherto. Fortunately, however, the Military Affairs Commission has a fine bombproof shelter as the writer knows from experience, as he took shelter therein during the worst raid Chungking has yet ~~experienced~~ seen, that of May 4th last year. On this occasion he had the opportunity of seeing almost every high ranking general in the Chinese Army then on duty in Chungking, with the exception of the Generalissimo, who was presumably in his own private dug-out.

(5) Strike of Beef Dealers.

The price of beef in Chungking recently reached ninety cents a catty (one and one third pounds). The normal price is forty cents. Actually little beef is consumed in the city, what is called "beef" being realy water buffalo, or plain carabao. Local authorities became alarmed because the high price of "beef" resulted in the slaughter of so many water buffalo that it was feared there would be a serious shortage of animals for farm labor. With a view to reducing the number of buffalo being slaughtered for the market and also to controlling profiteering, the price of "beef" was set at sixty cents a pound.

The beef dealers promptly went on strike and for three weeks there was no "beef" on the market, in spite of frequent orders from the local authorities that sales should be resumed. A compromise was eventually reached by which the price of the meat was set at seventy cents a catty and the city tax on each carcass was reduced by half. Even under these conditions, however, "beef" is still difficult to buy and reports state that it will continue scarce until the dealers are allowed to charge whatever the trade will bear.

(6) Bus Service.

Chungking probably has the worst bus service of any city in the world, for if it were any worse it could scarcely exist at all. The buses are old, ramshackle beyond description, dirty, and are continually breaking down. They are always crowded and it is almost impossible to board a bus except at a terminal point and even there one is fortunate to be able

to squeeze in. At every stop there is a rush to board the bus and the pushing and crowding of those trying to get aboard are a disgrace to a civilized community. It is reliably reported that when the Minister of Communications was recently severely taxed on account of the miserable bus service, he stated that it was a condition which he was powerless to remedy, as the bus company was a private corporation over which his Ministry had no effective control.

It is evident that the sad state of the bus service is due principally to war conditions which little can be done to improve at present, but it is nevertheless felt that the failure of the local authorities to maintain order at the bus stops is a sad reflection on the efficiency of government in the war-time capital of China.

David D. Barrett.
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Major, Infantry (DOL),
Assistant M/A.

Original to A.C. of S., G-2, War Department.
Copies to Military Attache, Peking, and to file.

G-2 Report

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MAY 8 1940 OFFICE CHIEF OF STAFF MIL., INTEL. DIV. WAR DEPARTMENT

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CONFIDENTIAL

CHINA

COMMENTS ON CURRENT EVENTS

April 4, 1940

(No. 4)

RECEIVED G/2 W. D. MAY 7 1940

1. Inauguration of the New Central Government
2. The Question of "Squeeze"
3. Japanese Demands on Macao
4. Miscellaneous:
   a. Foreign Concessions Discussed in Japanese Diet
   b. China Affairs Board to Study Missionary Activities
   c. Shanghai Municipal Elections
   d. Increase in Japanese Population in China

1. Inauguration of the New Central Government.

After one false start (postponement from March 15th), the final meeting to settle the remaining questions regarding the establishment of the new Central Government was held in Nanking on March 20th. Important resolutions passed at this conference were (1) to empower Mr. Wang Ching-wei to determine the policy for readjustment of Sino-Japanese relations and draw up an outline of the organization of the Central Government, (2) to decide on the location of the capital (Nanking) and the flag (Kuomintang white sun on blue background), (3) to determine the dissolution of the Provisional and Reformed Governments, (4) to determine the political program of the new government, (5) to formulate a policy vis-a-vis the Chungking regime and the question of its dissolution, and (6) to discuss the question of enforcing a constitutional government. All went well at this conference and it was announced that the new Orthodox Kuomintang would be established at Nanking on the 30th.

It is interesting to note that two days before this meeting General Nishio, Commander-in-Chief of the Japanese forces in China, issued a declaration in which he stated that it had been decided to return to their Chinese owners all mines, factories, and other enterprises now under Japanese army control. These were reported to number 110 in North China and 94 in Central China, and they were to be turned over to the Provisional and Reformed Governments until the establishment of the new Central Government, which would, in turn, return them to their rightful owners. "Thus (declared General Nishio) this decision shows Japan is firmly determined to translate into action her pledges for the regulation of Sino-Japanese relations and the execution to the letter of the peace terms reached between Japan and China."

G-5 Report

After the adjustment of all important differences at the Nanking meeting, foreign observers began to speculate on the ultimate fate of the Peking Provisional Government which for so long had stood out against Wang Ching-wei, but the matter was cleared up by an announcement on the 22nd that, while the Provisional Government as such would go out of existence, its present head, Mr. Wang Ke-min, would organize and head a North China Political Council which would consist of six commissions; namely, Interior, Pacification, Industry, Finance, Education, and Reconstruction. Former ministries of the Provisional Government which, by the organization of the Political Council, will be transferred to the Central Government are those of Legislation, Justice, and Directorate of Post. The territory to be controlled by the North China Political Council is the same as that of the Provisional Government with the exception of parts of northern Honan and Kiangsu Provinces (presumably that north of the Yellow River and north of the Lunghai Railroad), which territory reverts to the Central Government.

To further the status quo, an announcement on the 28th stated that the North and Central China Development Companies would be subjected to no change under the new Central Government and would continue to function in the even tenor of their ways. These are independent companies with parallel subsidiaries in North and Central China, and are controlled by the China Affairs Board with headquarters in Tokyo. An additional announcement proclaimed that while a central bank would be established, the Federal Reserve currency would still be used as the collateral in North China.

On March 30th, accordingly, the Provisional and Reformed Governments were officially dissolved, the North China Political Council was formed, and in Nanking Wang Ching-wei presided over the inaugural ceremonies of the Central Government, which marked the starting gun in Japan's race for Peace. The ten salient points in Mr. Wang's declaration, outlining the mission and political platform of the new government, are so nearly what was expected that they have no place in these comments, but as of possible interest and for future reference they are enumerated below:

1. To adopt a policy of good neighborliness and through peace diplomacy secure the independence and integrity of China's sovereignty and enable her to share the responsibility for a permanent peace and a new order in East Asia.
2. To respect the legitimate rights and interests of friendly powers, to re-adjust Sino-foreign relations, and to promote Sino-foreign friendship.
3. To unite with all friendly powers for the purpose of counteracting the subversive and peace destructive activities of the Communist Internationale.
4. To rehabilitate the troops who support peace and national reconstruction, to pacify and settle the guerrilla units, to organize a national defense army, and to eliminate the respective functions of military administration and military command with the object of destroying military dictatorship.

5. To establish various grades of representative organs of people of ability from every walk of life and to consolidate national opinion in order to build up the foundation of democracy.

6. To convene a national assembly to enact a national constitution and to enforce constitutional government.

7. To invite the participation of foreign capital and the technical co-operation of friendly powers in the economic rehabilitation and industrial development of the country.

8. To promote foreign trade with a view to securing equilibrium in the balance of international payments, and to establish a central bank of China and thus unify the currency system with a view to stabilizing the financial system.

9. To re-adjust the system of taxation with a view to lessening the burden of the people and to rehabilitate the rural districts by rendering relief to homeless refugees.

10. To promote anti-communism, peace and national reconstruction as the guiding principles in the educational policy, to promote scientific education, and discard all misleading tendencies in the educational system of the past.

The proclamation also asserted that henceforth the Nanking Government is the only legal government within the country, and that hereafter any decree issued to the nation and any treaty and agreement entered into by the Chungking regime with foreign powers will automatically be invalid. In a press conference Mr. Wang said he hoped the return of the government to Nanking would convince the Powers that Chungking had been reduced to a regional refugee regime and that he could expect the cessation of all foreign sympathy and active support to such a peace disturbing faction which would eventually sink all prejudice and co-operate with Nanking in re-adjusting the situation.

Generalissimo Chiang Kai-shek gave a scathing denunciation of the Nanking Government, stating it was merely a tool of the Japanese Army and could never be recognized as the government of China. Chungking was cheered by the flat statement of non-recognition by Secretary Hull, but was also disheartened by the lukewarm British "wait and see" declaration. Foreign Minister Arita, in reply to Mr. Hull, stated that Japan need not fear non-recognition by foreign powers but should devote its energies to preparing the ground so the powers would eventually be forced to recognize Nanking.

COMMENT. From Japan's point of view, what is the next step? The central regime has been established, but the North China unit is still practically as autonomous as before. The national flag has been adopted, but the Chungking government is still as united as ever in its will to continue armed resistance. In spite of flag-waving and

propaganda and speeches, the Chinese in the occupied areas seem to be as indifferent to the new puppet regime as to the old. Recognition by Germany and Italy would heighten Japan's prestige, but with Great Britain, France, and the United States outstanding the job would still be far from complete. While the Nanking regime is too recent an adventure to allow any predictions as to the outcome at present, the undersigned does not believe that the day of peace has been drawn any nearer.

2. The Question of "Squeeze."

The protest made on March 15th to the British Consul General in Tientsin by his Japanese colleague, concerning allegations made in the House of Commons that the Japanese Army had imposed a regular tariff on Chinese entering the British Concession, again brought to life the question of squeeze which has been conversationally bandied about Tientsin and Peking for some months. Information received from reliable Chinese and foreign merchants of Tientsin reveal the following facts:

While there is no fixed levy on persons entering the Concessions, there are at most if not all barriers Chinese "brokers" in civilian garb who come up and contact persons whom they judge might be willing to spend a little to save perhaps several hours of waiting. After discussing the annoying delay, the broker mentions that he happens to have a friend on duty who for a certain consideration will be able to facilitate transit. If the price is agreed upon the money is passed quietly and the broker moves away, and shortly thereafter a Chinese policeman comes down the line apparently keeping order and takes the payer near the head of the line from where he is soon passed. Whether the brokers are working for the Japanese guards or whether they are in business for themselves and paying tribute to the guards is not known.

The matter of passing the barrier with trucks and motor vehicles seems to be considerably more expensive. One foreign merchant stated that after negotiations with certain unnamed Japanese he paid a regular rate of six dollars a truck, but Chinese grocery merchants have been known to pay from one to three hundred dollars a truck for fresh vegetables which would spoil in a few hours. This tax of course is made up by raising the market price. Japanese sentries have been seen going from truck to truck making notes on paper and talking with the drivers, but if any money changes hands it is not visible to the onlookers. Another question which has not been answered is whether this lucrative income stops with the barrier guard detachment or goes on to fill the coffers of the higher ranks.

As another (non-military) example, the consul of a foreign power was ordered by his government to close the office (Kalgan) and report to Peking. After paying the freight bill on his household effects, he offered the freight

clerk a few dollars to insure prompt and safe delivery. He was told he would have to see the Japanese in charge of the travel bureau, which he did, and was calmly told that for fifty dollars he could expect prompt delivery. He paid, and the goods arrived at once and intact.

3. Japanese Demands on Macao.

While there have been rumors for some time that the Japanese were casting covetous eyes on Macao, a Reuter dispatch from Hongkong on March 30th stated that a serious situation had arisen in the form of certain demands submitted to the Portuguese authorities by the Japanese military. These were reported to include (1) the evacuation of Lappa and Wantsai Islands, (2) recognition of a Japanese sponsored government in the Chungshan district, (3) acceptance of Japanese military yen notes in Macao and the surrounding districts, (4) the right to carry out house to house searches for alleged anti-Japanese elements, and (5) the closing of the Chinese Maritime Customs station in Macao.

Other indications of Japanese penetration came from travelers who reported that armed Japanese were frequently seen in the gambling houses and restaurants of Macal where they paid for nothing while the local police seemed to be helpless to interfere.

COMMENT. Considering the number of Japanese troops in the district, there is not much the local police or the Portuguese authorities can do except give in gracefully. If Japan wants to take Macao, she will probably do so.

4. Miscellaneous.

a. Foreign Concessions Discussed in Japanese Diet.

A report from Tokyo quotes Major General Muto, Chief of the Military Affairs Board, as saying that it was clear from repeated declarations of the Japanese Government that Japan will consider the retrocession of Japanese concessions in China as the New Order progresses, and that this step should be taken as soon as the "new situation" has been accomplished. He further remarked that in the event of third powers not confirming, Japan and China should make every effort to bring about a really New Order, taking suitable measures according to the situation.

This is an appropriate remark to make on the eve of the establishment of the Nanking regime, but it is believed that the question of the foreign concessions is by far the most delicate one the Japanese have to contend with, and that it will only be as a last resort that they will attempt to cause third powers to give up the concessions.

b. China Affairs Board to Study Missionary Activities.

A Peking report on March 12th stated that the Liaison Section of the local China Affairs Board, with a view to becoming thoroughly cognizant of the activities of American and European missionary establishments in North China, has appointed two committees of advisers to inquire into the methods used by the missionaries in teaching culture and the Gospel. These groups have left by the Peking-Hankow and the Tientsin-Pukow railways.

COMMENT. When these advisers return to Peking, the small amount of personal liberty and freedom of action which the foreign missionaries now enjoy will probably be further curtailed. While it is natural that they should be pro-Chinese, since their work is in this country, they have shown remarkable fortitude in laboring under increasing difficulties without losing their courage or their tempers, and they deserve great credit. On the other hand, it is becoming more and more apparent that foreign powers are not inclined, at present, to take drastic measures over affronts to missionaries in China. Recently a British mission in Changte (on the Ping-Han line in south Hopei), which had been closed for some time, was set on fire and burned. The Japanese claimed that some Chinese robbers had broken in and started a fire which got out of control before they could arrive, but the British Embassy sent down a vice-consul and a missionary to investigate. While in Changte they were set upon by an "anti-British" mob. The Embassy lodged a protest but the undersigned was informed by a reliable member of the fourth estate that the Embassy had received word to let the matter drop.

While in Kaifeng recently the undersigned was told by Bishop Tacconi of the Italian Mission that he had no messages for the Italian Embassy in Peking for he was well aware that the Italian Government was not in a position to listen to his troubles, which included having his priests slapped and their hats knocked off by Japanese sentries when they passed the gates in and out of the city, and he himself having to dismount from his car and submit to minute searching.

c. Shanghai Municipal Elections.

For the first time in history the Shanghai Municipal Council is faced with the possibility of having five instead of two Japanese on its Committee. As claimed by the Japanese election committee chairman, the Japanese population has now reached seventy thousand with three thousand rate payers, which exceeds Britain's twenty-eight hundred. Formerly, by tacit agreement, the Committee has consisted of five British, two Americans, two Japanese, and five Chinese, so if the five Japanese are elected it

will be at the expense of the British and Americans, since the number of Chinese is fixed by agreement between the Chinese Government and the third powers. Of course there is always the possibility that, since the Japanese do not recognize the Chungking Government, they will not recognize [illegible] agreement regarding the number of Chinese to serve on the Committee.

COMMENT. This comes as no surprise as it has been expected for some months that the Japanese would make a determined attempt to obtain a controlling voice in the affairs of the Settlement. Incidentally, the five Japanese nominees are all high grade men and represent respectively, Mitsui Bussan Kaisha, the Japanese Cotton Mill Owners' Association, Murakami Law Office, Central China Railways, and the Shanghai Cotton Mamufacturing Company.

d. Increase in Japanese Population in China.

As of possible interest, the following figures are quoted from a Tokyo dispatch of March 14, 1940. They include Japanese, Koreans, and Formosans:

	July 1937	January 1940
North China	43,108	229,162
Central China	29,479	94,960
South China	14,336	21,611
	86,923	345,733

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AMERICAN EMBASSY
Office of the Military Attache

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Chungking, China,
April 20, 1940.

WAR DEPARTMENT 343

Subject: Comments on Current Events.

To: The A.C. of S., G-2 War Department, Washington, D.C.

1. Fifth Plenary Session of the People's Political Council.
2. Adoption of Constitutional Government.
3. New Central Government of China.
4. Relations with France.
5. Relations with Great Britain.
6. Relations with Soviet Russia.
7. Relations with the U.S.A.
8. Relations between the National Government and the Chinese Communists.
9. Sale of Bibles.
10. Activities of the Soong Sisters.
11. Shanghai.
12. Local Conditions.

1. Fifth Plenary Session of the People's Political Council.

The 5th plenary session of the People's Political Council, which convened in Chungking on April first and adjourned on April 10th, was attended by 145 delegates from all provinces of both free and occupied China, as well as from Mongolia and Tibet. Delegates from overseas Chinese were also in attendance. The streets of the city were carefully guarded by police and gendarmes on the opening day of the session.

The transactions of the Council consisted principally in listening to reports by heads of the government and in passing resolutions on a wide range of subjects, such as conduct of the war, economic and educational problems, opium suppression, reconstruction, the status of women, the bolstering of public morale, and the establishment of a constitutional government. The Council recommended particularly that measures be taken to stbilize commodity prices and to check the rising cost of the necessities of life. As was to be expected, Wang Ching-wei and the new government were whole heartedly condemned. An interesting reommendation was that the number of women delegates to the National Assembly, which is scheduled to be convened on November 12, 1940, should be increased, and that the Government should employ as many women as possible in public offices.

A Chinese holding a high public office informed the writer that in contrast to former sessions, the Council appeared very much interested in measures to effect retrenchments in public expenditures. Hitherto, this official stated, the Council has been more interested in recommending that money should be spent than that money should be saved, and that he considered this interest in national economy a healthy sign.

The transactions of the Council were given great publicity in the public prints, and as far as could be determined, little business of a secret nature was transacted. A recommendation for the establishment of a committee to investigated into the relations of the National Government and the Chinese Communists was not permitted to be reported in the local press, but was released for publication outside of Chungking.

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Most of the sessions of the Council were presided over by the Chairman, Generalissimo Chiang Kai-shek, and when he was not able to be in the chair, his place was taken by Dr. Chang Po-ling, the Vice-Chairman. At the final session of the Council the Generalissimo promised that he would do his best to see that the recommendations passed during the fifth plenary session were put into effect by the National Government.

Since its establishment in Hankow in 1938, the People's Political Council has passed about 450 resolutions, or bills, which have been transmitted to the various departments of the government for action. The functions of the Council are purely to make recommendations, but it is believed that it has served a most useful purpose in permitting the people the chance to express opinions on a wide range of matters of national importance. In many cases the recommendations of the Council have not been carried out, but it may be assumed that the heads of the government have had to give serious consideration to the expressed will of the people.

2. Adoption of Constitutional Government.

The convening of the 5th plenary session of the People's Political Council focused attention on the scheduled convocation of the National Assembly for the adoption of a constitution which is set for November 12, 1940. On April 11th, Dr. Sun Fo, President of the Legislative Yuan, who has been largely responsible for the preparation of the draft Constitution which is to be voted on at this assembly, made an important statement to the press concerning the functions of this meeting.

Dr. Sun stated that the work of selecting delegates for the National Assembly will be completed by the end of June and that measures will be taken to provide for the election of delegates from war zones and from occupied areas. According to Dr. Sun, many of the delegates who had been elected when the war broke out in 1937 will attend the coming Assembly, but that of course some of these delegates had died or joined the ranks of the puppets. These will be replaced by new delegates. It was originally planned that 1,825 delegates should attend the National Assembly, but due to the change in conditions brought about by the war, it is probable that not so large a number will be on hand if and when the meeting opens in November.

He saw no reason, stated Dr. Sun, for making special provision for the election of women delegates to the National Assembly, which probably means that the recommendation of the People's Political Council, referred to above, that the number of women delegates should be increased will ~~probably~~ not be approved by the National Government. Dr. Sun also expressed himself as opposed to a proposition discussed but not voted upon by the People's Political Council that a "parliament" should be formed to act for the People's Congress, which will be established after the constitution has been adopted, while this body is not in session. A number of members of the People's Political Council were of the opinon that this "parliament" should enjoy the right of holding referenda on budgets, of declaring and terminating a state of national emergency, of granting amnesties and pardons, of declaring war and negotiating peace, and of concluding peace treaties. Dr. Sun declared that if the "parliament" were granted such powers, they would overlap those of the People's Congress, and that if the Congress were not capable of carrying on efficient government, it would be unlikely that the "parliament" could do much better.

As far as is known, the People's Political Council just held made no recommendations for any changes in the draft Consti-

tution which has been prepared by the Legislative Yuan, largely, as noted above, by Dr. Sun Fo himself, and there is little doubt but that this draft constitution will be adopted in entirety if the National Assembly is convened. It is the concensus of informed opinion that the National Government will exert every effort to facilitate the convocation of the Assembly and the adoption of the Constitution, for a failure to do so would give too much ammunition to the enemies of China, particularly to the newly formed Wang Ching-wei government and its backers.

3. New Central Government of China.

The establishment of the new Central Government of China under the leadership of Wang Ching-wei produced an unexpectedly decided reaction in official circles here. It would have caused the writer no surprise had the event been allowed to pass with little comment as unworthy of notice, but such was certainly not the case, and the press and the radio broadcasts after the new government had been launched were filled with denunciations of Wang Ching-wei by the most important officials of the government. It appeared that the Government was seriously concerned by the establishment of the new regime, and as far as could be determined from inquiries in official and unofficial circles, this concern was largely caused by apprehension lest the setting up of the puppet state might have bad effects for free China in Europe, particularly in England.

The blasts against Wang Ching-wei and thenew regime continued for about two weeks, but have now died down almost completely. Apparently the heads of the Government have decided that they have done all that is necessary in the way of condemning Wang Ching-wei and that further invectives against him will serve no useful purpose. During the period in which great attention was being paid to the new regime, declarations of support for Chiang Kai-shek and the National Government were received from many quarters, the most important of which were from the provincial governments, from diplomatic and consular officials abroad, and from overseas Chinese organizations. The Governor of Yunnan, who is known to be none too enthusiastic in his support of the National Government, was among those who telegraphed his condemnation of Wang Ching-wei and his loyalty to Chiang Kai-shek.

Mr. Archibald Steele, the well known American newspaper correspondent, who was in Nanking to report the launching of the new regime, has informed the writer that the Wang Ching-wei government got away to a very bad start, due principally to the fact that the Japanese Army has given no indication whatsoever that they intend to allow it any considerable measure of authority. According to Mr. Steele, even on the day of the inauguration of the new regime, Japanese troops were more in evidence than usual on the streets of Nanking, indicating an unwillingness to allow the puppet government even a modicum of face. Mr. Steele states that Wang Ching-wei admitted to newspaper men that the new regime was very feeble indeed at its start, but that he hoped it would gradually grow stronger.

Informed Chinese with whom the writer had discussed the new regime agree generally with the opinion expressed in the last "Comments on Current Events" from this office that its success depends upon whether or not the Japanese Army will give it a chance, and that if given a chance it may in time become a serious menace to the stability of the National Government. These Chinese, however, agree with the writer that the chances of the Japanese Army releasing its strangle hold on the Wang Ching-wei regime are slight and that therein lies the hope that the new government will fail and by its failure contribute to the ultimate defeat of Japanese aims in China and the Far East.

4. Relations with France.

As far as is known, no definite settlement of the question of the shipment of gasoline into China over the Yunnan Railway has been reached, altough there are many rumors to this effect both here and in Kunming. According to foreigners well informed on transportation matters, the Yunnan Railway will, barring outside interference, be operating at full capacity by the end of this month and large shipments of gasoline are expected by the foreign oil companies to reach Kunming.

If the Japanese continue to refrain from bombing the railway when large shipments of gas are passing over it, it would appear to be an indication that some sort of an agreement has been reached by France and Japan. A straw in the wind is the report that the Franco-Japanese Trade Pact, which was to lapse on March 31st, has been extended for another month, which may indicate that questions outstanding between the two countries are at least still in process of negotiation.

In view of the present situation in Europe, it would appear that the Japanese are in the stronger position as far as the question of gas shipments over the Yunnan Railway is concerned, particularly in view of the fact that as far as is known no adequate measures have been taken either by the National Government or the Yunnan Provincial Government for the defence of the railway against air attack.

The defense of the railway, according to military experts, is not particularly difficult as far as the most vital points are concerned. These consist of bridges and tunnels almost all of which are located in mountainous country. Hence planes coming to bomb these points are generally confined to certain definite routes of approach which can be covered by machine guns properly sited. The main difficulty in the defence of the railway is not tactical but the question of relations between the National Government and the Governor of Yunnan. The latter is known to be definitely opposed to the entry of National Government troops into his province, but he is also either unwilling or unable, or both, to provide for the adequate defense of the railway. The National Government, in turn, appears hesitant to take over the defense against the wishes of the Governor of Yunnan, and thus nothing, in usual Chinese fashion, is accomplished in the way of definite results.

5. Relations with Great Britain.

Nothing has happened during the period under review to controvert the opinionheld in many quarters that Great Britain may sell China down the river if she thinks it necessary to save her position in Europe. The much-discussed speech of Sir Robert Craigie, the British Ambssador to Japan, delivered before the Japan-British Society in Tokyo on March 28th, produced a most painful impression here which official assurances of the British Government to the effect that this speech implied no change in England's policy toward China have not been able wholly to counteract.

The only bright side of Sir Robert's speech, as far as the Chinese were concerned, was the reports of the unfavorable reaction aroused in United States Congressional circles. These reports tended to support the hopes always entertained here that the United States may eventually be spurred to definite action tohelp China, particularly in the way of stopping exports of munitions to Japan.

Also received with consternation here was the report after the establishment of the Wang Ching-wei regime that while the

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British Government would not recognize the puppet government, it expected to maintain friendly relations with the new state. This report, however, created no great surprise in circles which have been fearing for some time that Great Britian make take a definite step to appease Japan at the expense of China. In the opinion of the writer, the report was just another straw in the wind to indicate the attitude of the dominating influences in the British Government as far as the situation in the Far East is concerned. The writer hopes with all his heart that Great Britain does not pull a Far Eastern Munich, but if she does, it will at least not come as a great shock to him.

Reports were recently in circulation that a settlement had been reached between Great Britain and Japan concerning the silver now held in foreign banks in the British Concession in Tientsin, a question which has been outstanding for some months and which is generally believed to have a definite bearing upon the continued blockade of the concessions in that city. The rumors were officially denied, but the Chinese are generally quicker to believe the reports than the denials. Actually, as reported in previous "Comments on Current Events," the Chinese Government is now largely indifferent to the question of the silver in the Tientsin concessions, as it has long since abandoned any hopes of recovering this silver. Thus the question of its ultimate disposal is largely one of the effect it will have upon the prestige, if any, of Great Britain in the Far East in general and in China in particular.

6. Relations with Soviet Russia.

It was announced on April 16th that Mr. Shao Li-tze, Director of the Publicity Board of the Central Kuomintang, had been appointed Ambassador to Russia. As far as can be determined at present, Mr. Shao has no particulary qualifications for his new post, except that he is a Kuomintang stalwart of long standing. He has visited Russia once, some fourteen years ago, but does not speak the language and is not known to have any special familiarity with conditions in the country to which he has been appointed.

According to the quotations in the local public prints, the Russian press continues to support China and at the same time to condemn Japan with candor and vehemence. The Moscow "Izvestia" on March 27th stated, "Neither by force of arms, nor by political intrigues of the foul traitors of Wang Ching-wei's type will the Japanese succeed in breaking the unity of the Chinese masses, who are ready to fight until the last Japanese soldier is withdrawn from their country;" The Russian press is also reported to have whole heartedly condemned Wang Ching-wei and to have predicted the utter failure of his new regime.

At a luncheon party given recently given by the local Garrison Commander to the foreign military attaches stationed in Chungking, the writer was surprised at the vehemence with which the Russian Military Attache expressed hopes for China's ultimate victory over Japan. Without any apparent pretense at maintaining netrality he gave it as his wish that the Chinese would beat down Japanese imperialism and drive it from the earth. As it is to be assumed that no Russian official would have made such a statement unless he were sure that it would be approved by his government, the remarks of the Soviet Military Attache were of interest in indicating an utter disregard of how they might affect the feelings of Japan toward his country.

Note has been made in previous "Comments on Current Events" of the detention of the Soviet steamer "Selenga" in Hongkong. This

steamer has now been released by the Hongkong authorities, but on proceeding to Haiphong it was promptly interned by the French who are still holding it. Whether or not the "Selenga" was compelled to proceed to Haiphong is not known. Meanwhile the British authorities in Hongkong have detained a second Soviet steamer, the "Vladimir Mayakovsky," which is said to be carrying 5,000 tons of copper which was loaded at Manzanila, Mexico, and 200 tons of Colorado Molybdenum picked up at San Pedro, California. The ship is reported to have cleared San-Francisco on February 20th and to have put in at Hongkong enroute for Vladivostok. The British claim they are within their rights in detaining the ship as it is carrying contraband from the United States to Germany.

6. Relations with the U.S.A.

Mr. Cordell Hull's statement on April 18th voicing the concern of the United States over the possible alteration in the status quo of the Netherlands East Indies by other than peaceful means was received here with the greatest satisfaction and has undoubtedly aroused hopes that the United States is going to take a stronger stand toward Japan than she has hitherto taken. The writer has recently been queried by a number of Chinese as to the possibility of the United States going to war with Japan if the latter invades the Dutch East Indies. The opinion was generally expressed by these Chinese that the Japanese would not dare to attack these islands unless Germany invaded Holland and Italy entered the war against the Allies.

Resentment against the United States because of her failure to stop the export of munitions to Japan appears to be slowly but steadily increasing. Madame Chiang Kai-shek's recent broadcast to the United States in which she asked that Congressmen either cease to express horror at Japanese aggression or do something to curb this aggression is indicative of the feelings of most Chinese who give thought to this subject. Many of the writer's Chinese friends continue to express their inability to understand how the United States can profess to be a friend of China and at the same time supply China's deadly enemy with munitions with which to fight her, but the language used is always polite and restrained. As far as the writer can determine, the traditional good feeling which the Chinese have for the United States has not as yet been seriously affected by our continued sale of munitions to Japan, but how long this can continue is a matter difficult to judge. The Chinese could scarcely be blamed if they do not continue to regard the Americans as their friends indefinitely unless something is done to curb munition sales to Japan.

8. Relations between the National Government and the Chinese Communists.

Few signs, if any, of any definite improvement in relations between the National Government and the Chinese Communists have been discernible during the period under review, but there are also few indications that there has been any great deterioration in the status of these relations. Reports of clashes in areas where National Government and Communist troops are stationed near one another continue, but none of these clashes appears to have been of a serious nature.

It is encouraging to note that the Chinese people in general are apparently not oblivious to the threat to the Chinese power of resistance contained in the present bad relations between the National Government and the Communists. This is indicated by the fact that at the 5th plenary session of the People's Political Council which was recently held in Chungking, it was decided to appoint a committee to investigate into the causes of the friction which exists and to seek means to remove it. This committee is to be headed by Dr. Chang Po-ling, Vice-Chairman of the People's Political Council, and is to be composed of an equal number of Kuomintang, Communist, and neutral members.

While too much must not be expected from this committee, the mere fact that it has been appointed is encouraging, as is the fact that it is to be headed by a man of such outstanding ability, integrity, and fair mindedness as Dr. Chang Po-ling.

Miss Agnes Smedley, the American lady who has long labored in the cause of the Chinese Reds, recently came to Chungking after a lengthy sojourn in the part of Anhui in which the forces of the New Fourth (Communist) Army are stationed. According to Miss Smedley, the Communist-forces in this area generally get along fairly well with the the National Government forces unless bad feeling has been deliberately stirred up by the agents of the Ministry of Political Training of the Military Affairs Commission.

Miss Smedley states that the Communist forces have succeeded in organizing the people very well to assist in fighting the Japanese, although no effort has been made to convert them to Communist doctrines. She also reports that a great majority of the able bodied men in the areas where the Communists forces are stationed have enlisted in their ranks in order to avoid conscription into the National Government forces. In the Communist forces, according to Miss Smedley, it is a court martial offense for an officer or non-commissioned officer to lay hands on a soldier, but that no such restraints are imposed in the National Government forces. Miss Smedley's reports must of course be regarded with some reserve because of her ardor for the cause of the Chinese Communists, but even so they cannot be dismissed as entirely unreliable. As far as the treatment of soldiers in the Chinese Army is concerned, the writer has himself seen a noncommissioned officer strike a soldier in the face and in another instance strike a recruit in the chest with the butt of a rifle.

What looks like a conciliatory gesture on the part of the National Government toward the Communists is the reported transfer of the troops of Shih Yu-san from southern Hopei into western Shantung. These reports have not yet been definitely confirmed, but if true there should be an improvement in relations between the National Government and the Communists in southern Hopei, for the latter claim that all the trouble in this area has been caused by Shih and his forces. The Communists also claim that Shih Yu-san, who was a Japanese puppet in North China before the war and for a short time after its outbreak, is absolutely unreliable and perfectly capable of going over to the Japanese at any time.

Mr. A. T. Steele, the well known American newspaper correspondent, was recently told by an influential Communist representative in Chungking that the Communists are constantly harassed by the fear that the Central Government may make peace with Japan, probably by effecting some sort of a compromise with the Wang Ching-wei Government. The Communists, so Mr. Steele reports, realize that even if the National Government gives in to Japan, they will have to continue resistance, and that most of the causes of friction between the Kuomintang and the Chinese Reds would be removed if the latter could feel assured that the war of resistance against Japanese aggression will be fought to the bitter end.

As far as the writer can determine, he can see no justification of Communist fears, if such exist, that the National Government will surrender to Japan unless it finds itself in future in a much more difficult situation than it is today.

In general, it is the opinion of the writer that while relations between the Communists and the National Government will probably not improve to any great extent in future and may grow worse, the danger from the bad state of these relations to the Chinese power of resistance does not appear quite so great as it did a month ago. This feeling is largely based on reports from Communist sources which state that the general situation as far as they are concerned has improved slightly during the past few weeks.

9. Sale of Bibles.

It is interesting to note the report that in spite of war conditions, nearly 4,000,000 copies of the Scriptures were distributed in China last year by the China Bible House, the British and Foreign Bible Society, and the American Bible Society. This was an increase of over 500,000 copies over the preceding year and was the largest number of copies ever

sold in one year in China. Bibles and Testaments were circulated in thirty different dialects.

10. Activities of the Soong Sisters.

Since their arrival in Chungking by air from Hongkong on March 31st, the Mesdames Chiang Kai-shek, H. H. Kung, and Sun Yat-sen have been very much in the public eye, and it is evident that these three gracious and charming ladies are making a distinct effort topopularize themselves both with foreigners and with the Chinese people. This is the first time that Mesdames Sun and Kung have visisted China's war-time capital. Madame Sun has for a long time been known not to be on the best of terms with the Generalissimo as she has considered that he has not followed with sufficient closeness the teachings of her late husband in carrying on the work of the Chinese revolution.

With the establishment of the Wang Ching-wei regime, however, it seems evident that Madame Sun has decided to set aside any prejudices she may have had against Chiang Kai-shek in order that China may present as strong a front as possible against the Japanese and the puppets, and since her arrival in Chungking she has taken care to make it appear that she and her brother-in-law areon the very best of terms.

While Madame Chiang Kai-shek was in Hongkong recently, she and her two sisters dined in public in the Hongkong Hotel, an unprecedented occurrence. This public appearance was followed by the return of the three sisters together to Chungking, since which time they have appeared in public on numerous occasions.

Particularly evident has been the desire on the part of the sisters to create good feeling for China in foreign circles by making themselves as agreeable as possible to the members of the local foreign community. All the embassies now represented in Chungking have been entertained at dinners in the Generalissimo's house in honor of Mesdames Sun and Kung, and public receptions have also been given for these ladies which have made it possible for almost every foreigner in the port to meet them personally.

The ladies have also been very active in visiting hospitals, industrial cooperatives, orphan asylums, and other institutions. These activities are clearly intended to make them popular with the general public.

The writer believes that this effort to use the publicity value of the activities of the three Soong sisters to the advantage of the Chinese national cause is an effective and entirely justified means of combatting Japanese aggression and puppet plots. There are probably not three more charming, cultivated, or attractive women in high position in the world today than the Mesdames Chiang, Kung, and Sun, and their combined effectiveness in promoting good feeling for China in foreign circles and in arousing patriotic sentiment among the Chinese people in general cannot be over estimated.

The joining of Madame Sun Yat-sen in the front against Japan and the sudden campaign to publicize the three sisters may be taken as sure indications that the National Government was much more deeply concerned over the establishment of the Wang Ching-wei regime than it was cared to admit.

11. Shanghai.

While the news of the defeat, on April 11th, of Japanese attempts to elect an increased representation on the Shanghai Municipal Council was received here with much satisfaction, expressions of apprehension were heard from informed quarters that this frustration of Japanese hopes might cause the Japanese to seize the control of the Settlement by force.

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Because from his observation the Japanese do not usually rush matters in carrying out their plans in China, the writer does not expect a Japanese move to take over the Settlement by force in the near future, but he doubts very much if the Japanese will submit for very long to restraints upon their power in a city which it cost them so much in blood and treasure to capture.

12. Local Conditions.

(1) Cost of Living.

According to news reports, the Generalissimo is seriously concerned over the increased cost of living in Chungking and other parts of free China. He is said to have directed the heads of the government to take steps to control the profiteering which is being carried on so brazenly in Chungking and to have threatened resort to the severest measures if prices cannot be controlled by other means. Editorials have appeared recently in both the one English language paper published here and in several Chinese papers condemning the activities of profiteers and calling for determined measures to control them.

The control of profiteering in war time is a difficult matter in any country, but no where more so than in China. It is a very easy matter for the government to set prices, but extremely difficult to make merchants sell at these prices. This was illustrated in the recent efforts to bring down the price of beef which have been previously reported. Actually very little beef is now being sold in Chungking, but what there is to be had can only be purchased at around ninety cents a pound, a higher price than prevailed before the authorities tried to reduce the cost of beef to the consumer. As for the price of rice, which continues to rise here, no one seems to know just who is responsible for the rise, but the opinion is generally expressed that it is due to hoarding of stocks by the heads of the rice hongs, who in most cases are so rich that they can afford to keep stocks for an indefinite period in order to force prices up.

It is the opinion of the writer that a determined attempt on the part of the Generalissimo or any one else to control profiteering would eventually meet opposition in such high quarters that too much zeal in this direction might even threaten the position of the Nationalist Government. Hence he expects to see a steady rise in prices until such time as the laws of supply and demand, which are among the few laws still being enforced everywhere, can cause them to decline.

(2) Air Defense.

According to newspaper reports, the air raid shelters in this city are now capable of accomodating 250,000 people, and that construction of additional dugouts is being continued. The writer has learned from personal investigation that the matter of admitting the public to the dugouts is well handled by the police. No one is admitted to a dugout during an air raid unless he has a ticket for that particular shelter issued by the police. By this means overcrowding and disorder are reducted to a mimimum and the population desiring shelter are distributed as evenly as possible among the dugouts available.

While there are not enough dugouts to hold all the people in Chungking, and in spite of much publicity to the contrary the campaign to reduce the population does not seem to be getting very far, under present conditions the chances of heavy casualties in air raids have been greatly reduced. There are many private dugouts in addition to the public shelters, and in addition many persons do not seek shelter during air alarms but remain quietly in their houses. While some of these would probably be killed if the city were again to be heavily bombed,

The number, fortunately, would probably be small. In any event, the population of Chungking have learned not to crowd together in exposed places such as the Central Park, in which hundreds were killed in one raid last year.

(3) Lavish Entertainment Banned.

It was announced on April 17th that the National Defense Council has issued a set of regulations regulating entertainments to be given by Kuomintang, government, and military officials from now on. The issuing of the regulations is stated to be the result of displeasure felt by Chiang Kai-shek over the lavish dinner parties which have been given by many persons in Chungking, a thing especially undesirable in a war-time capital.

According to the report, with the exception of entertainments for foreign guests and public banquets, all private banquets of a purely social nature are prohibited. On festive occasions, such as weddings, teas may be given. For public banquets the cost for each guest, including all expenses, must not exceed $2.50. Agents of the Garrison Headquarters and the police are to make frequent check-ups to see that these regulations are carried out, and those found violating them are to receive disciplinary punishments, while restaurants guilty of ignoring them are to be fined or ordered to suspend business for not more than ten days.

Never in his experience has the writer seen restaurants, both large and small, doing the business that they are now enjoying in Chungking, and it will be interesting to note if the new regulations will have any marked effect upon this flourishing trade. If the regulations succeed in making the restaurant keepers a little less indifferent toward the general public and a little less prone to charge all that the trade will bear, the results will be well worth while. The writer fears, however, that the new regulations are likely to be more honored in the breach than in the observance.

(4) Statues of Wang Ching-wei and Wife for Chungking.

According to press reports, limestone statues of Wang Ching-wei and his wife are to be erected at various points in Chungking. The work of placing the statues is to be completed by the end of June. Just what useful purpose would be served by the erection of such statues is difficult for the average foreigner to understand, but the psychology in this case may be somewhat the same as that which impels the Chinese to celebrate "national humilitation days."

(5) Newspaper to have Offices in Dugout.

The "Hankow Herald," the only English language newspaper published in Chungking, has announced that it will suspend publication for two weeks from April 22nd in order to move its entire plant into a dugout where it will be safe from bombing. Even then, however, publication of the paper will be affected by air raids, during which electric power is shut off and the linotype machines cannot operate.

David D. Barrett,
Major, Infantry (DOL),
Ass't M/A.

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JUN 1940 OFFICE CHIEF OF STAFF MIL., INTEL. DIV. 2052-622 344 WAR DEPARTMENT

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CHINA

COMMENTS ON CURRENT EVENTS

May 3, 1940

(No. 5)

RECEIVED G/2 W.D. JUN 6 1940

1. Shanghai Municipal Council Elections
2. The Nanking Government
3. Japanese Naval Warning
4. Admiral Taussig's Statement
5. North China Economic Conference
6. Settlement of the Tientsin Question
7. Marshal Chang Hsueh-liang

1. Shanghai Municipal Council Elections.

In continuation of our last report, as the date for the elections drew near there was considerable apprehension among the ranks of foreigners in the International Settlement. The Japanese, with their regimented organization, were leaving no stone unturned and even Ataman Semenoff (head of the Japanese sponsored anti-Soviet "White Russian House") was brought out of retirement and sent from Dairen to Shanghai, reportedly for the purpose of swinging the White Russian vote to the Japanese. Another ominous spectre loomed up in the form of the German Jewish refugees, many of whom are "ratepayers" and most of whom live in the Japanese controlled Hongkew district. Leaders among these refugees had previously published a signed petition condemning Sir Victor Sassoon for his anti-Japanese remarks to the press while passing through New York.

The British and Americans, however, proved that they too were old hands in such campaigns, for when election day arrived and the votes were counted only two of the five Japanese candidates were elected, thus maintaining the status quo of five British, five Chinese, two Japanese, and two American Council members.

Comment. Though the Japanese were obviously surprised at the outcome of the elections, there has been no particular violence as a result, and they are undoubtedly already laying plans for the accomplishment of their purpose next time. It would seem that this would not be too difficult since the number of Japanese ratepayers in Shanghai is steadily increasing while that of the other foreigners is practically at a standstill except for the German refugees, most of whom, as stated above, live in the Japanese controlled section.

From M/A, China Report No. 9875 May 3, 1940

2. The Nanking Government.

As this report goes to press the new "orthodox" Nanking Government has been functioning for one month, and the results achieved so far have largely been confined to the issuing of proclamations aimed at rallying the Chinese in the occupied territory to the new standard and in warning third powers that sooner or later they will have to recognize the Nanking Government. During the month Mr. Wang Ching-wei made flying visits to Peking, Kalgan, Canton, and Hankow, and returned to Nanking in time to welcome with due ceremony the Japanese ambassador at large, former Premier General Abe. Mr. Wang's arrival in Peking had all the appearances of being unexpected, for there was a sudden scurry to make and drape the new flag (white sun on blue field), which is practically unseen in Peking except for those hung from a few public buildings. In Canton and Hankow, however, it was reported that he received a royal welcome.

Comment. Since the Nanking Government is supported solely by Japanese bayonets, it would be impossible to expect it to make any drastic political changes until the Japanese have decided on the policies to be undertaken. The exact status of General Abe is an enigma. One of the main reasons his Cabinet fell was because he was unable to push through the establishment of the Nanking Government, to which government he is now accredited as an ambassador (after recognition by Japan). Some foreign observers opine that for the above reason Japanese military circles in China objected to the General's appointment to his present position, and that he will have difficulty in securing military cooperation. Another question of considerable interest is what will be General Abe's relationship with General Nishio, the supreme military commander in China? It is significant that when General Abe arrived in Nanking General Nishio was absent "inspecting troops" at the front. General Abe is known to be a kindly, moderate man, and it is the belief of the undersigned that while his mission is undoubtedly to coordinate with Tokyo the military, economic, and political phases of the China incident, it is very doubtful that he will be able to dictate to the military leaders here on the continent.

3. Japanese Naval Warning.

On April 26th a proclamation from the Japanese Navy was handed to the American Consul in Shanghai by his Japanese colleague. It consisted of a warning that, since certain ships in the vicinity of Wenchow (Chekiang Province) had failed to abide by the regulations laid down by the Navy concerning lights, etc., the Navy was instituting a stricter patrol in that vicinity and would not be responsible for incidents occurring through failure to obey the patrol regulations. It continued that unless all vessels obeyed these regulations it was difficult to distinguish (at night) the ships of third powers from those which may be operating under the Chungking Government.

Comment. While this was more a precautionary warning than a direct threat to third powers, it is interesting to note that since the beginning of the incident the Japanese Navy has not completely blocked the important ports of Ningpo, Haimen, and Wenchow, all in Chekiang Province. Haimen was threatened but no landing was made. Just why these ports should be left open is a matter of conjecture, but the Military Attache, who recently returned from a visit to Ningpo, stated that sources there informed him that it was believed an agreement had been reached between the Japanese Navy and certain wealthy merchants whereby the port of Ningpo would remain open. If this be true it is possible that Haimen and Wenchow have the same status.

4. Admiral Taussig's Statement.

Both the Chungking and Japanese news organs were voluble over the now famous statement made recently by Rear Admiral Taussig, USN. The latter followed the lead of the Tokyo press in condemning the statement as one intended to bring to the straining point US-Japanese relations. Chungking proclaimed the Admiral's judgment to be accurate and added that it would not be necessary for the United States to go to war with Japan, for China had been fighting her for over two years and, since the Japanese resources were rapidly becoming exhausted, if the United States merely placed an effective embargo against Japan she would no longer have the strength to invade China, much less to antagonize the United States.

5. The North China Economic Conference.

During the month under review there was held in Peking an important all Japanese conference, to which came several important officials from Tokyo, including at least three vice-ministers. From the little information that could be obtained it appeared that not a single Chinese attended the meetings, which lasted three or four days. It was evident that the Tokyo delegation was intent on finding out the existing conditions in North China from a military, economic, and financial standpoint, but just exactly how much they learned and how much cooperation they received is not known. Some observers believed that the local military and heads of the development companies were inclined to minimize the profits (if any) and at the same time ask for more money to develop further the industries here. Whatever the outcome was, it is evident that, since the visiting delegation paid a brief visit to Kalgan and then most of them returned to Tokyo, the eyes of the Japanese are more or less permanently focused on North China in particular, no matter what the ultimate result of the incident may be.

6. Settlement of the Tientsin Question.

On April 15th a Domei dispatch from Tokyo reported that as a result of negotiations between the British Ambassador and the Japanese Vice-Minister of Foreign Affairs, the question of the disposal of the silver stocks in the British Concession in Tientsin was about to be settled. On the 19th a Japanese sponsored Chinese paper more or less confirmed this and stated that the silver question might be settled along the following lines:

1. The silver stored in the British and French Concessions to be put under the control of a joint commission to be formed by Chinese, Japanese, British, French, and American authorities.
2. That of the 14,000,000 dollars stored in the Concessions, a certain sum be used for the relief of needy Chinese families.
3. That the above named commission be empowered to arrange with the Chinese Government for the disposal of the silver in case of necessity.

These are presumably the Japanese demands, and if the Government mentioned in the third paragraph above is the new Nanking Government, it is probable that the British and French will do considerable negotiating before coming to any agreement.

The next question which naturally presented itself was: If the disposition of the silver is amicably agreed upon by all concerned, will the Tientsin barriers automatically be lifted? This was answered by the military spokesman in Peking on April 20th when he said that the question of the silver stores was a separate matter and was no concern of the Japanese Army. The barriers, he further explained, were erected by the Japanese Army as a wartime measure, and their removal was at the entire discretion of the military authorities.

Comment. Thus we reach an impasse. If the British are actually considering turning over any of the silver they are certainly using this as bait to have all the barriers removed once and for all. The Japanese Army, on the other hand, is most certainly receiving daily remuneration from the barrier restrictions, and whether or not the silver is turned over to them (or the puppet Chinese authorities) it is doubtful if the Tokyo authorities could easily influence the army to remove the barriers and deprive themselves of such lucrative profit.

7. Marshal Chang Hsueh-liang.

While of no particular import, it is interesting to note that at last the "Young Marshal," Chang Hsueh-liang, has been heard of. A dispatch in the Peking Hsin

Min Pao on April 17th reported that he was under close confinement somewhere in Kweichow Province. The dispatch stated that the Marshal and his wife had for some time been placed in detention in Yunnanfu, and that several months ago he attempted to escape but was caught by Chiang Kai-shek's troops near the Yunnan-Kwangsi border and is now heavily guarded in Kweichow.

F. P. Munson

F. P. Munson
Captain, Field Artillery
Assistant Military Attache

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1ST. IND.

THE MILITARY ATTACHE, AMERICAN EMBASSY,
PEKING, CHINA.

TO: A. C. OF S., G-2

1. APPROVED.

WILLIAM MAYER,
MAJOR, FIELD ARTILLERY,
MILITARY ATTACHE.

morris

2055-622

AMERICAN EMBASSY
Office of the Military Attache

RECEIVED G/2 W. D. JUL 23 1940

Chungking, China,
May 31, 1940.

OFFICE CHIEF OF STAFF
MIL., INTEL. DIV.
2055-622
WAR DEPARTMENT

Subject: Comments on Current Events (Number Five).

To: The A.C. of S., G-2, War Department, Washington, D.C.

1. Effects of the War in Europe on China.
2. Japan's Next Move in the Far East.
3. Shipments of Gasoline over the Yunnan Railway.
4. Relations between the National Government and the Chinese Communists.
5. Famine in Southern Hopei.
6. Activities of the Soong Family.
7. Conditions in Kunming.
8. Local Conditions.

1. Effects of the War in Europe on China.

Since the invasion of Holland and Belgium by Germany and the break-through of the German army across the Meuse River into France, the writer has heard the opinion expressed several times by well informed Chinese in official and unofficial circles that China's future will be profoundly affected by the course of events in Europe. These persons were unanimous in agreeing that a German victory would be disastrous for China, as it would render England and France, who have consistently befriended China, incapable of extending further assistance or of exercising any restraining effect on Japan's campaign of aggression in the Far East. The opinion was also expressed that Hitler might encourage or assist Japan to attack the Dutch East Indies or Indo-China, possibly in return for a promise of favorable treatment for Germany in a China completely dominated by Japan.

On the other hand, the concensus of informed opinion here is that if France and England can defeat Hitler, they will take a strong hand in the Far East and force Japan to relax to a considerable extent the strangle hold which by force of arms she has secured on China.

Although it would appear almost a foregone conclusion that a German victory in Europe will adversely affect China, the recent remarkable successes of the German armies have aroused some admiration among certain classes of Chinese, particularly among the foreign-trained Army officers. The writer has recently heard two young officers of his acquaintance, both of whom have studied and travelled extensively abroad, express the opinion that the German "Blitzkrieg" will sweep all before it, and that no army in the world can compare in fighting qualities with that of Germany.

Japan's Next Move in the Far East.

The reports of Japan's naval concentration off Hainan Island and of feverish preparation of military air fields in the southern part of the island have caused much speculation in Chinese military and political circles as to whether or not Japan is planning an attack against Indo-China or the Dutch East Indies.

General Shang Chen, who has been designated to take over from General Ho Yaohtsu the post of Director of the Headquarters of the Military Affairs Commission, recently told the writer that he thought the Japanese Army and Navy were having a very hard time deciding as to what would be the best course to pursue in the present world crisis. It was his opinion that Japan, if events in Europe should continue to Germany's favor, would be likely to attack either Indo-China or the Dutch East Indies, but he thought it more probable that she would attack the first named with the immediate objective of moving up the Yunnan Railway to take Kunming.

It was also General Shang's opinion that French military

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forces in Indo-China, because of their weakness in aviation, could do little to resist a Japanese invasion. He also thought that while there were doubtless many persons high in authority in Japan who advocated an attack on the Dutch East Indies and that Japan would probably gain more in material resources, such as oil and rubber, by a conquest of the East Indies than she would by taking Indo-China, it was probable that fear of the United States would keep the Japanese from attacking the former for the present at least.

There can be little doubt that many well informed Chinese are hoping that Japan will attack the Dutch East Indies in the near future and thus force the United States to take action to back up her declaration that any alteration in the status of these islands except by peaceful means will be regarded with extreme concern. Several Chinese in official position have told the writer that they feel the least the United States could do in the event of a Japanese attack on the East Indies would be to put into effect a complete embargo on the exportation of all munitions of war to Japan, which is of course a consummation devoutly to be wished as far as the Chinese are concerned.

The Chinese, while regarding with equanimity the prospect of an attack by Japan on the Dutch East Indies, are decidedly uneasy about the possibility of an invasion of Indo-China, for the latter would immediately threaten the Chinese life-line to the sea, the Yunnan Railway, and would lay Kunming open to the danger of being taken by a Japanese advance along this railway into Yunnan Province.

Gasoline Shipments over the Yunnan Railway.

During the past few days strong rumors have been in circulation to the effect that France has yielded to Japan's demands that no more gasoline is to be shipped into China over the Yunnan Railway. As yet, however, these rumors have not been confirmed and gasoline shipments still continue.

The Yunnan Railway has been working at full capacity for some weeks now and as no attempt has been made to bomb the line for over a month, it may be assumed that negotiations between France and Japan concerning gasoline shipments are still going on.

4. Relations between the National Government and the Chinese Communists.

There have been no reports of any serious clashes between Nationalist Government forces and those of the Communists for over a month. A reliable source close to the Communists in Chungking states that the troops of Shih Yu-shan, with whom the Communists engaged in serious fighting in southern Hopei during the early part of 1940, have been withdrawn from that area and consequently things are much quieter there at the present time.

Indicative of the attitude of the National Government toward the Communists is an editorial which recently appeared in the "Sao Tang Pao," recognized as the organ of the Military Affairs Commission. This editorial openly blamed the Communist 18th Army (8th Route Army) with being largely responsible for the present terrible famine in southern Hopei because of the excessive amounts of grain which they have requisitioned for the use of their troops. The editorial condemned the Communist forces for inflicting suffering upon the people and urged them in future to refrain from such acts of oppression.

Chow En-lai, one of the recognized political leaders of the Chinese Communists, recently arrived in Chungking after a long stay in Moscow. He is reported to have come here for the purpose of entering into negotiations for a permanent settlement of relations between the National Government and the Communists. Reports from both Kuomintang and Communist circles indicate, however, that neither side has much hope that anything very definite can be accomplished.

The writer has never observed any indications which make him feel that the conservatives of the Kuomintang Party can ever change their attitude of fear, distrust, and dislike for the Communists. The

Communists, on the other hand, according to the reports of those who should be in a position to know, are always haunted by the fear that the Kuomintang will make some kind of a peace with Japan, or with his puppet, Wang Ching-wei, in which event they would find themselves thrown to the wolves.

The most that it appears can be hoped for at the present time as far as relations between the National Government, or in other words the Kuomintang, and the Communists, is that they will remain in the same state as has prevailed for the past six weeks, with no permanent settlement of outstanding issues, but no serious armed clashes which might materially weaken the Chinese power of resistance against Japan.

Reports from National Government sources state that for some time the Communists have done very little fighting against the Japanese, and while these reports are denied in circles which favor the Communists, they are heard with such frequency that the writer is inclined to believe that there must be some truth in them. If such is the case, the unfavorable results, if any, to the Chinese cause have not been apparent from this distance.

5. Famine in Southern Hopei.

According to the reports of Chinese investigators who have recently come here after visiting the famine areas in southern Hopei and southern Shantung, conditions in the districts affected are indescribably bad. The causes of the famine, according to the investigators, were the floods of last year and the cutting of the dykes of rivers by the Japanese Army in a deliberate attempt to starve the people in a part of China where resistance to the Japanese has been particularly stubborn. No mention was made by the investigators of the report, noted above, that requisitons of grain by the Communist troops have also been a contributing cause of the famine.

Eight million people are reported to be starving in the famine area. Furthermore, there is little hope that any considerable crops can be harvested this year, as much of the country affected is still under water, and most of that from which the water has subsided is not yet in condition for planting.

The problem of the National Government to extend any appreciable measure of relief to these famine sufferers is almost an insolvable one. The price of grain in the affected area is so high that it would require a staggering sum of money to buy enough to relieve the situation even to a small extent, while to ship in grain from parts of the country where it is cheaper is almost impossible because of the location of the famine stricken districts within occupied China. Thus it would appear that the National Government is faced with the cruel necessity of allowing millions to starve as the only possible way of putting an end to their sufferings.

6. Activities of the Soong Family.

The Mesdames Sun Yat-sen and H. H. Kung, whose visit to Chungking was commented on at length in the last "Comments on Current Events," left Chungking in May and returned to Hongkong. The Japanese in Shanghai and Hongkong used the fact of their departure as an alleged basis of rumors that there had been a serious split in the Soong family, but such reports appear absolutely without foundation. From all that can be learned, the visit of Mesdames Sun and Kung to Chungking, and their frequent appearances in public with Generalissimo and Madame Chiang Kai-shek have made a most favorable impression upon foreigners here and has had a good effect on the morale of the Chinese people.

Talk is heard from time to time in circles which claim to be well informed that Mr. T. V. Soong will accept an important government post, probably either to replace or overshadow Dr. H. H. Kung. The writer pays little attention to such rumors and believes that any change for the present in the status of Mr. Soong is unlikely.

It is generally understood here that antipathy on the part of Mr. T. V. Soong for Dr. H. H. Kung is largely responsible for the failure of the former to assume a more active part in governmental affairs. Hence as there is no indication that the Generalissimo is dissatisfied with the manner in which Dr. H. H. Kung discharges his duties, there appears to be little likelihood that a drastic shakeup among the leaders of the Chinese Government will leave the way clear for Mr. Soong to take over a cabinet post or some other important ~~post~~ position.

Some foreigners have been heard to express the opinion that Mr. T. V. Soong should not let personal prejudice prevent him from putthing his outstanding talents at the service of his country in this time of national crisis. Inasmuch, however, as no foreigner understands all the ins and outs of this situation, it would appear best to reserve judgement.

In decided contrast to the other members of the Soong family who are universally popular in China, Mr. T. L. Soong, head of the Southwest Transportation Company, seems to be held in very poor esteem. The reason for this unpopularity is his alleged mismanagement, if not corruption, in the handling of the Chinese Government share of the tonnage of the Yunnan Railway. While it was never publicly proved, it was fairly well established several months ago that this tonnage was being diverted to the use of private shippers, greatly to the financial benefit if not of Mr. T. L. Soong himself, of certain of his very close associates of whose activities in this connection he could not very well have been ignorant.

The rotteness in the handling of the Chinese Government share of the Yunnan Railway tonnage was brought to light largely through the efforts of the foreign oil companies who were finding it almost impossible to obtain cars in which to ship their products. The bad state of affairs then existing has since been largely corrected, but Mr. T. L. Soong came out of the business in very bad odor. Reports are also freely circulated as to Mr. T. L. Soong's alleged mismanagement of the affairs of the Southwest Transportation Company in handling truck shipments over the Burma Road, but to date nothing to equal the scandal in connection with the Yunnan Railway has been noised about.

The Southwest Transportation Company was responsible for the operation and guarding of the large munitions dump at Chefang, Yunnan, which was destroyed on April 12, 1940, with the reported loss of 200,000,000 Chinese dollars worth of ammunition and huge amounts of gasoline and expolsives. While there were some reports, largely unsubstantiated, which indicated that the explosion which destroyed the dump might have been the result of bombing from the air, the weight of evidence indicates that it was due either to sabotage or carelessness. This places the responsibility squarely on the Southwest Transportation Company, and the opinion was freely expressed that had Mr. T. L. Soong not been Madame Chiang Kai-shek's brother, he, as head of the company, would probably have been shot.

Assuming that Mr. T. L. Soong is only half as inefficient or corrupt as reliable reports indicate him to be, it seems unfortunate that this high connections make it possible for him to continue at the head of an organization of as vital importance to China as the Southwest Transportation Company.

7. Conditions in Kunming.

A visit by the writer to Kunming during April and May gave him an opprtunity to compare conditions there with those in Chungking. One of the things which impresses the visitor to Kunming is that commodity prices, in spite of the fact that Kunming is connected with the sea by the Yunnan Railway, are generally higher than in Chungking. This is due to the very heavy local taxes imposed by the Governor of Yunnan, who justifies this action on the grounds that Yunnan is a poor province which receives no financial aid from the National Government. The only goods the writer found cheaper in Kunming than in Chungking were some French wines which had probably been smuggled in from Indo-China.

Well informed foreigners in Kunming agree that there is

little war spirit among the Yunnanese, and that they would oppose, probably with force of arms, the stationing of large numbers of Nationist troops within their borders or the establishment in Kunming of the national capital. It is generally agreed on the other hand that there is almost no pro-Japanese sentiment among the Yunnanese, and little, if any, hostility to Chiang Kai-shek as long as he leaves them alone. In short, the Yunnanese are in favor of "Yunnan for the Yunnanese." If forced to make a choice, however, foreigners in Kunming are of the opinion that the Yunnanese would rather live under the domination of the National Government than of the Japanese.

Dr. Chiang Mou-lin, President of Peking University, which is now established in Kunming, told the writer that a good deal of distress still exists among the thousands of students in the city. He stated that the absolute minimum for which a student could be boarded was $14.00 L.C. a month, and that many students had a hard time paying even this amount. It is an interesting comment on living costs that in Kunming, where living is very high, a student can board for about seventy cents a month, U.S. currency.

While travelling over the Burma Road in Western Yunnan early in May, the writer saw parked in a small town two large trucks in which had been loaded the component parts of an equestrian statue, made of cast iron, of large proportions. Inquiry as to whether the statue was of Sun Yat-sen or Chiang Kai-shek brought the rejoinder that it was of neither, but of the Governor of Yunnan, General Lung Yun, and was being transported to Talifu to be set up in apublic park. The writer permitted himself the reflection that the cast iron used in making the statue and the gasoline expended in its transportation might have been employed to better advantage in war time China than to erect a likeness of the provincial governor.

8.Local Conditions.

(1) Air Raids.

With the advent of clear weather after the winter fogs which are Chungking's best protection against air raids for about half the year, bombings on an extensive scale were resumed by the Japanese early in April. Thus far the Japanese have confined themselves largely to bombing the air fields near Chungking and the new industrial district which has grown up in the southwest suburbs along the road which runs to Chengtu. It is difficult to estimate the actual amount of damage which has been done, as Chinese reports always minimize this. A trip through the industrial section, however, shows that some plants have been considerably damaged. As far as can be learned, however, none has been put entirely out of commission, and according to the concensus of reliable reports, the production capacity of no important plant has been reduced by more than thirty percent.

The excellent behavior of the Chungking population under air raid conditions has been remarked on before. The worst feature of the raids is the long hours of waiting in the air raid shelters, many of which are tunnels driven into the hillsides, most of the time in almost complete darkness, as electric lights are switched off when the Japanese bombers draw near the city. Many of the shelters, particularly those for the use of the general public, become extremely close and hot after having been occupied for over two or three hours, although almost all have sufficient means of ventilation to prevent danger of suffocation.

One hears some speculation as to what use the dugouts will be put after peace comes. According to some reports it is intended to enlarge them to provide moreconvenient means of communication than are now provided by the steep and winding streets of the city, but it seems probable that the cost of enlarging the tunnels to this extent would be exeessively large, particularly if Chungking loses some of its importance after the war is over. That some use will be made of the

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shelters seems a foregone conclusion and in the opinion of the writer they will probably be used as dwellings by poor people.

Japanese broadcasts have recently stated that bombing of Chungking will continue until the resistance of the Chinese is broken. If such is really the intention of the Japanese, they have a long job ahead of them, for while the amount of property damage which can be caused here is only limited by the number of bombs the Japanese are willing or can afford to expend, it is generally believed here that it will be almost impossible in future to inflict very heavy casualties upon the people no matter how many bombs are dropped. There are always a certain number of people who do not seek shelter in air raids, and casualties are very likely to occur among these. Casualties are also likely to occur from collapse of dugouts or direct hits on dugouts by heavy bombs, the latter resulting in deaths from concussion. It seems very unlikely, however, that casualties will ever again be as heavy as in the raids of May 3rd and 4th last year, when between five and ten thousand persons were killed or injured.

Thus the Japanese Army, still unwittingly China's best friend, continues by air raids to teach the Chinese valuable lessons,- lessons in devising and carrying effective means of air defense, in organization of the civil population, in maintaining calmness and discipline in times of danger, in fighting fire and administering first aid on a large scale, and in enduring with patience long hours of unpleasant waiting in dugouts.

(2) Rising prices.

Coal for kitchen use which a year ago was around $90 Mex a ton is now difficult to obtain at $300.00 a ton, and prices of inferior grades of coal have risen in proportion. This is in spite of the fact that coal is produced in large quantities near Chungking and in smaller quatities in many other places throughout the province. Constantly growing demands of the many new industrial plants which are ~~constantly~~ being establishedin Chungking is stated to be the principal cause of the rise in price of coal, but hoarding and manipulation of the market for profit are also freely ~~stated~~ hinted at as contributing factors. From present indications, a serious coal shortage may easily occur here next winter.

Rice continues to rise steadily price in spite of prospects for an excellent crop. Thus far no evidences have been discernible of unrest among the people as the result of the rise in price of their most important food staple.

(3) Anti-Opium Campaign.

A tangible result of the anti-opium campaign, which according to reports from reliable Chinese sources is still being conducted with vigor and with the personal backing of the Generalissimo, is that the price of opium in Chungking has rise to $50.00 an ounce, an all-time high. ~~price~~. Reports from the same sources state that the acreage planted in poppy this year has been considerably reduced in Szechuan and Kweichow except in districts where the influence of the National Government is weak. In some of the distant parts of these two provinces, however, and in Sikong, the anti-opium campaign has been unable to materially reduce the amount of poppy under cultivation.

David D. Barrett
David D. Barrett,
Major, Ordnance (DOL),
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Copy to Military Attache, American Embassy, Peiping.

Note: Writing of these "Comments on Current Events" was begun May 31 and completed a few days thereafter, but due to the abnormal situation caused by almost constant air raids, final typing of the report was not completed until ~~May~~ June 19th. The "Comments" have been typed just as written with no alteration of contents due to events subsequent to their completion.

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CHINA

COMMENTS ON CURRENT EVENTS

June 12, 1940

(No. 6)

RECEIVED G/2 W.D. JUL 24 1940

1. The Wang Ching-wei Regime
2. Formation of Central Bank at Nanking
3. Japanese Concentration at Hainan
4. Possible Effects of Italy's Participation in War
5. Japanese Efforts to "Clean House" in Occupied China
6. The Tientsin Issue
7. Russo-Japanese Agreement on Nomonhan Border
8. Closing of Soviet Consulates

1. The Wang Ching-wei Regime.

The Wang puppet government at Nanking has so far been unable to produce any concrete results. Members of General Abe's mission have been holding preliminary talks with Wang officials but many of the most important Chinese puppet officials had been absent on a "good-will mission" to Japan. Now that the Nanking envoys have returned it is possible that an agreement between Wang and Abe may be reached and formal Japanese recognition tendered. Wang has been unable to win over any important following among Chinese politicos or business men despite the bait of offering to return Japanese occupied Chinese factories to those who would play ball with him.

Reports from Shanghai state that the Japanese had hoped for a much greater defection of Chinese leaders to Wang than has so far occurred. They are now fast losing confidence in Wang's ability to bring about the peace they ardently desire. From the start there had been strong objections among some Japanese to the erection of the National Puppet. These objectors maintained that only by direct negotiations with Chiang Kai-shek could a real peace be negotiated. The complete lack of progress by the Wang regime so far has tended to strengthen the hand of Japanese recalcitrants.

It is probable, however, that General Abe will soon negotiate some form of treaty with the Wang government and that immediately thereafter the Japanese will extend recognition. Italy is expected to follow suit and possibly Spain may also join. The net effect of all this hocus-pocus will not change the realities of the situation in China. Unless the Japanese destroy the Chiang Government or come to terms with it, they will be unable to relax

their costly military effort. The drain on Japan's resources will continue and they will be unable to take full advantage of the golden opportunity the present state of the world has presented to them.

2. Formation of Central Bank at Nanking.

Despite repeated reports of progress on the erection of a new Central Bank for the Wang puppet regime, it is doubtful that any definite action will be undertaken in the near future. According to a reliable Chinese source in Shanghai, only the Chinese puppet officials are in favor of this new venture. They want the bank primarily as a source of ready funds and for the patronage which filling the various well paying posts will bring. Local Japanese financial leaders on the whole are cold to the idea. They argue that the present Hua Hsing Bank can handle all small transactions the new government requires, and larger deals can be accomplished through the Yokohama Specie Bank. They say too, that the new bank would require fresh capital, most of which would of necessity have to come from Japan. Since Japan is hard pressed itself there is little likelihood of any funds becoming available for the new venture.

3. Japanese Concentration at Hainan.

There are persistent reports of large Japanese military, naval, and air forces concentrated at Hainan. Reports state that from 80,000 to 200,000 Japanese troops and Chinese mercenaries are now on the island. An air base is known to have been established there for operations in South China. According to reports from Hongkong and Chungking, this concentration is directed either against the Dutch East Indies or against French Indo-China, with the probability that French Indo-China is the real target. It is pointed out that Hainan is most favorably located as a base of operations against Annam, while the distances to the East Indies are considerably greater. They argue too that action against Indo-China would help solve the China situation by cutting off supplies to Chiang Kai-shek.

The Japanese are watching the present developments in Europe with rapt attention. Should the Nazi successes in France continue, we may expect increasing pressure on the French possessions in the Far East. The immediate objectives of Japan in French Indo-China are the complete stoppage of shipments to China and landing facilities for Japanese air lines. The ultimate objective is of course complete domination of the East Asian seaboard.

4. Possible Effects of Italy's Participation in War.

Chinese reports from Chungking state that coincident with Italy's entry into the war, Japan also intends to take drastic action in Shanghai, even to the extent of taking over the French Concession by force. These Chinese reports state that a detailed plan had been worked out involving first inspired disorders by Chinese terrorists and ronin, followed by Japanese military occupation to maintain order.

Early this month a Domei item reported that negotiations were under way between French and American authorities to turn over the French Concession at Shanghai to American control. This bit of news was immediately seized upon for comment by high Japanese authorities. The spokesman for the Foreign Office on June 5th at a press conference stated that "Japan absolutely cannot overlook the matter if the report proves true." General Suzuki, director of the political affairs department of the China Affairs Board, in a statement given to the press on June 6th declared "that the China Affairs Board cannot remain indifferent to this report. That France should first approach the Nanking Central Government if she is aware of the realities in East Asia, and if France feels diffident about this she should consult Japan, who forms the stabilizing factor in East Asia." The Japanese Consul General at Shanghai on June 7th called upon both the American and French Consuls General with regard to this matter, and was informed that they knew nothing of the report save what was published in the news.

The fact that the original news item was Japanese in origin and the importance so promptly given it by prominent Japanese authorities leads one to suspect that the whole idea is inspired with a view to again proclaiming to the world that Japan considers herself the arbiter for the Far East. This agitation also serves to put additional pressure on French and other foreign interests in China during these perilous times in Europe.

In Peiping and Tientsin Japanese military evinced great curiosity as to what stand the American and other forces there would take in the event of Italy's entrance into the conflict. Japanese staff officers approached our own and Italian commanders in Peiping to ascertain their views, stating that they were fearful of disorders between belligerents. The Japanese were assured that no disorders were expected and that all commanders had perfect control of their units and would maintain order without difficulty.

It is believed that the Japanese will take advantage of Italy's participation to take some action to emphasize their stand in the Far East. This will likely take the form of another "polite" request for the

belligerents to remove their armed forces from East Asia. However, it is not beyond the realms of possibility that they may go much further. The big restraining influence on Japan is a wholesome respect for possible American retaliation.

5. Japanese Efforts to "Clean House" in Occupied China.

Authentic reports of venality among Japanese, military, naval and civilian, and Koreans in Japanese occupied China have been plentiful. The Japanese authorities appear now to be making efforts to clean up the situation. The North China Military Command on May 21st issued a statement directed at Japanese resident in the area under its control, threatening deportation to any who are found "especially delinquent" in the following acts:

1. Those who commit acts disturbing the financial and economic situation.
2. Those who commit immoral acts aimed at procuring illegal and untoward profits.
3. Officials of government offices, semi-official concerns, schools, Chinese organs, and various public organizations who commit untoward acts, taking advantage of their official powers.

On June 11th, General Nishio's headquarters at Nanking and the headquarters of the Commander-in-Chief of Japanese Naval Forces in China issued a joint pronunciamento providing for strict punishment for those "irrespective of nationality" who resort to acts liable to disturb peace and order and impair the interests of the Japanese Army in occupied China. The acts specified are:

1. To unreasonably criticize fixed policies of Japan in China.
2. To show in public films or make publications, public lectures and meetings, that are liable to disturb the military and popular spirit.
3. To resort to acts liable to obstruct Japanese efforts in pacification, propaganda and the maintenance of local peace and order.
4. To unduly refuse to obey official orders and other steps taken for the purpose of emergency control or a rehearsal of such.
5. To resort to acts tantamount to an open abuse of the Japanese Army.
6. To illegally utilize one's status as an officer or official of public organizations.
7. For all advisers, officials and others related to Chinese political organs and other organs under their control; schools or various public organizations; and various companies and concerns under the supervision of the Japanese Army

or the China Affairs Board, to utilize their position in receiving, demanding or promising monetary bribes. Accomplices in the acts as enumerated above shall also be duly punished.

8. To resort to acts generally liable to disturb popular sentiment; disturb peace and order or disturb the financial structures.

While the joint manifesto mentions persons "irrespective of nationality" and therefore may be put in effect against all foreigners, the wording of the text indicates an emphasis upon Japanese nationals. Graft and corruption have been part and parcel of the Japanese occupation from the start of the "Incident." Chinese and foreigners have played their part in this too, but only with the connivance and co-operation of Japanese, some of them quite highly placed. It is doubtful whether the Japanese will be able at this late date to curb effectively such profitable practices.

6. <u>The Tientsin Issue</u>.

A Domei dispatch from Tokyo dated June 6th reports that as a result of the exchange of memoranda among the Japanese Foreign Minister and the British and French Ambassadors, the long pending Tientsin silver issue will be settled probably by the middle of June. An additional report states that the barriers at Tientsin will be lifted with the settlement of the silver question. The details of the agreement, according to Domei, are as follows:

"The silver in the British Concession, 100,000 pounds sterling (some 1,714,000 yuan) out of 14,000,000 yuan worth of silver will be used to purchase Canadian wheat for relief purposes. The same 100,000 pounds silver will be converted into foreign currencies through the National City Bank of New York at the hands of a commission composed of leading businessmen of Japan, Britain, the United States and China. The rest of the silver will be stored in the basement of the British Consulate-General in Tientsin, sealed in the presence of the Japanese and British Consuls in Tientsin.

"As regards the silver in the French Concession, 200,000 pounds out of 26,000,000 yuan worth of silver will be used to purchase Canadian wheat for relief purposes. A commission in charge of the 200,000 pounds will be composed of Japanese, French, American and Chinese businessmen. The rest will be stored in the Bank of China and two other places, sealed in the presence of the Japanese and French Consuls-Generals in Tientsin."

As far as could be ascertained up to June 10th none of the bankers in Tientsin had received any direct information as to the proposed settlement.

Several American business men expressed concern with regard to removing the barriers around the Tientsin concessions at this time. They apprehend that the Japanese will seize the opportunity to foment disorders in the concessions as a pretext for moving in. Strangely enough, Tientsin business men have had a most successful year despite the barrier restrictions.

7. Russo-Japanese Agreement on Nomonhan Border.

Reports from Tokyo state that an agreement was reached at Moscow on June 9th between Soviet Foreign Commissar Molotov and Japanese Ambassador Togo regarding the delimitation of the Nomonhan border. The agreement was reached in a "spirit of mutual conciliation and compromise." It will be remembered that conferences on this subject held at Chita and Harbin subsequent to the Nomonhan truce in September, 1939, broke down. No details as to the actual settlement made are as yet available. However, the subject for discussion apparently involved only the Nomonhan sector, leaving the rest of the border, including the Changkufeng area, still unsettled.

Tokyo hopes that this settlement will clear the way toward a solution of many still pending issues. Most important of these is the fishery question. Tokyo states that last December the Soviet Government gave assurances that a permanent fishery treaty would be concluded during 1940. Other issues are the oil and coal concessions at Saghalien and the question of a Russo-Japanese trade pact.

Regardless of this settlement, the larger issues between the two countries lie in Japanese declared national aims toward domination of all of Eastern Asia, and the Soviet declaration not to give up an inch of its present domain. Recent Soviet actions and declarations too show an imperialistic policy hardly different from Czarist Russia. These two stands are irreconcilable and probably will be solved only by war.

8. Closing of Soviet Consulates.

With the return to Moscow of Mr. S. Nikitin, Consul General in charge of the Soviet Embassy at Peiping, late in June, the last Soviet consular office in Japanese occupied China will close. The Soviet Embassy at Tokyo and their consulate general at Harbin will handle affairs for this area. The published reasons are the small number of nationals and the insignificant amount of Soviet business in this part of China. A reliable Russian

source, however, couples the closing down of the consulates with the formation of the Wang Ching-wei regime. He stated that it was expected that the Japanese in the name of the Nanking Government would soon apply pressure upon foreign interests to force recognition of the Wang government. The Moscow instructions call for the "temporary" closing of the consulates, but it is unlikely that they will be reopened until Russo-Japanese relations change for the better. However, it is doubted that the closing of the consulates presages any definite action by the Soviet Government in this area.

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Chungking, China

1-1 205-5-622

AUG 23 1940 WAR DEPARTMENT 347

June 30, 1940.

Subject: Comments on Current Events (Number Six).

To: The A.C. of S., G-2, War Department, Washington, D.C.

1. Effect of the Collapse of France on China.
2. Japanese Pressure on Great Britain.
3. Peace Talk.
4. Air Raids.
5. Position of Chiang Kai-shek.
6. Local Conditions.

RECEIVED G/2 W. D. AUG 21 1940

1. Effect of the Collapse of France on China.

The news that France had sued for an armistice was received here with the utmost concern, for the possibility was immediately envisaged that the armistice terms might include turning over Indo-China to Japan. For six days after France sought an armistice, there were no air raids on Chungking. It was later learned that bad weather in eastern Szechuan was the cause of the cessation of bombings, but at the time it was feared here that ~~Japan~~ Japan had received intimation that Indo-China was to be given to her and consequently it was no longer thought necessary to bomb Chungking, as the closing of the Yunnan Railway to arms shipments and an attack on Kunming from Indo-China would soon force the Chungking Government to come to peace terms.

Intensive bombings were resumed on June twenty fourth, showing that the Japanese still considered it worth while to keep up attempts to break the Chinese will to resist and the spirit of the people by air attacks on this city. Consequently some measure of relief was felt here when bombings were begun again.

It now appears that Germany has no intention of giving Indo-China to Japan for the present at least, but the collapse of France has of course greatly increased the possibility that Japan will attempt to seize the country by force. France is certainly even less able to defend Indo-China now than she was a month ago, at which time it was noted in these "Comments" that informed circles here generally agreed that little effective resistance could be put up against a Japanese invasion.

But even though France could do little to defend Indo-China at present, the general impression here is that Japan will not invade the country for a time, now that she has obtained a guarantee that no more war materials will be shipped over the Yunnan Railway into China, while Japanese inspectors are to be stationed along the railway to see that this guarantee is not violated. At this writing Japanese troops have captured Lungchow on the Kwangsi-Indo-China border, but Chinese intelligence circles do not expect these troops to do more for a time than hold themselves in readiness either to invade Indo-China or to assist in intimidating France by threats of such an invasion. The stationing of Japanese inspectors to check shipments over the Yunnan Railway suggests

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the possibility that a real or alleged attack on one of these persons might conveniently provide the Japanese with an excuse, if such were desired, for sending troops into Indo-China.

The closing of the Yunnan Railway to shipments of war materials into China is undoubtedly a heavy blow to the Chinese. The railway had been running at full capacity for many weeks, which meant that around sixteen thousand tons per month were shipped into China. As far as could be determined, the only war materials shipped for some time past have been gasoline, oil, and cement, but the importance of these items to the Chinese war machine cannot be over estimated. It is not necessary to go into a detailed analysis of the effect of a curtailment of the supply of gasoline, but its immediate effect upon the operation of military transport over the Burma and Sinkiang roads is obvious.

According to official announcements, China will send troops to Indo-China to assist France in resisting a Japanese invasion. There is no doubt that China would welcome an opportunity to fight the Japanese in some country other than China, but as to how effective this resistance would be is a question difficult to answer. Hitherto the Chinese have had little success in stopping determined Japanese advances in China, hence it is difficult to see why they would be more successful if fighting outside their own boundaries, even if cooperating with French and Annamite forces.

As yet no effects of the closing of the Yunnan Railway have been observed here. There has been no apparent curtailment in the use of trucks and passenger cars and aviation services have continued as usual. How much longer this can continue, of course, remains to be seen. As far as can be determined, the Chinese appear little concerned over the prospect that in future gasoline supplies will be obtained with great difficulty.

Since the initial shock of the capitulation of France and the closing of the Yunnan Railway have worn off, and it has begun to appear that Japan will not invade Indo-China for the present, the Chinese have rallied quickly from the consternation felt for a time over the French collapse. Even should Japan invade Indo-China, the Chinese do not appear seriously concerned over the possibility of an attack along the Yunnan Railway directed against Kunming. It is pointed out that the country between the Yunnan-Indo-China border and Kunming is very rough and mountainous and an invading force would be at a great disadvantage.

Little apprehension seems to be felt here that Lung Yun, Governor of Yunnan Province, whose loyalty to Chiang Kai-shek has been questioned at times in the past, will do anything to embarrass the National Government in this crisis. Reports emanating a few days ago from reliable sources stated that National Government troops are to be sent, with the consent of Lung Yun, into Yunnan for the purpose of strengthening the defense of that province. It is also reported that Lung Yun is either here or on his way to consult with the Generalissimo about defense matters. These reports, if true, indicate that Chiang Kai-shek does not need to fear a stab in the back from Lung Yun.

To sum up, while the French collapse at first caused great consternation here, the full effects have not as yet begun to be felt, and as far as can be determined, it has not as yet seriously affected the Chinese morale or the will to continue resistance.

2. 2. Japanese Pressure on Great Britain.

Japan, seeking every possible means of bringing the war in China to an end, after stopping the flow of war supplies through Indo-China, is now trying to cut another important life line of China by exerting pressure on Great Britain to close the Burma frontier to shipments of munitions into China over the Burma Road. In just what form this pressure has been applied is not clearly understood here. The British Charge d'Affaires in Chungking recently stated to a member of this Embassy that a high Japanese Army officer informed the British Military Attache in Tokyo about June 15th that unless the British Government closed the Burma border and withdrew British Army forces from China, the Japanese Army would declare war on Great Britain.

This Japanese Army officer, according to the British Charge d'Affaires, declared that no matter what the Japanese Foreign Office might have to say about the closing of the Burma border, the Army was determined to take the action noted above unless Great Britain yielded to Japan's demands.

If such a threat was delivered by a Japanese Army officer it appears a good deal like a piece of pure bluff, but if there was any official sanction behind it, it was a most cowardly and irregular means of attempting to intimidate a foreign power. It is obvious that the Army officers statement, assuming it was made as reported, could easily be repudiated if desired, but the threat would none the less have beend elivered. Incidentally, it is a sad commentary on the state of the Japanese Government when an Army officer can assume the role of an official mouthpiece and deliver a threat of war to a supposedly friendly nation.

Reports are now freely circulated that Japan has threatened to blockade Hongkong by land and sea unless Great Britain closes the Burma border to Chinse war materials. A fillip to the circulation of such reports has of course been given by the recent occupation of points along the border of the ~~British~~ leased territory on the mainland opposite Hongkong. Evacuation of British women and children from Hongkong is to begin July first, although the Hongkong Government has officially announced that no attack by the Japanese or blockade of the Colony is considered imminent.

It seems improbable that Japan could blockade Hongkong by sea without declaring war on Great Britain, and that Japan is prepared to take such a step just now appears unlikely. A declration of war against Great Britain would probably result in the United States invoking the Neutrality Act against Japan, which action it would appear would be to the disadvantage of the ~~latter~~ last named. Taking a broad view of the situation, it seems as if the Hongkong authorities are a bit hasty in ordering the evacuation of British women and children, but it may be that the measure is a wise one if it is ~~done~~ taken with the idea of avoiding trouble in future. It must be born in mind that in the event of a blockade, serious food shortages, with the possibility of riots among the large Chinese population, might easily occur in Hongkong, hence the evacuation may be a wise ~~measure~~ step after all.

With Japan apparently determined to force Great Britain to close the Burma border and with the latter faced with the most serious crisis in her history at home, it

appears that the British Government will have to yield to Japan's demands, and another of China's lifelines will be cut. Serious as this will be, however, it must be remembered that in the first year of its operation, there were transported into China over the Burma Highway only about 20,000 tons of supplies, and it is doubtful if this could be increased to more than about 40,000 tons. Thus the closing of the Burma Highway is not as great a blow as the suspension of shipments over the Yunnan Railway, which when running at full capacity brought in around 18,000 tons in a single month.

If the Burma Highway is closed, the principal road left open to the outside world will be that running from Lanchow to Alma Atta on the Turk-Sib Railway. Just how many tons can be brought in over this route in a year is not known, but the capacity of the road is believed not to exceed that of the Burma Highway.

Japanese press reports have recently claimed that considerable amounts of munitions are still being shipped through Hongkong into China. If any munitions are coming in in this way, they must first be shipped to Bias Bay and thence by devious routes inland eventually to reach Changsha, whence they can be transported by creeks and small rivers to Shasi and Ichang. Ichang and Shasi are now in ~~Chinese~~ Japanese hands, so it is not likely that any great amount of munitions can reach the Chinese Army in future by this means. The port of Ningpo is still open and some gasoline is shipped into the interior of China through this city, but this is a trickle which can be stopped at any time the Japanese so desire.

Begin

3. Peace Talk.

Since the collapse of France, the closing of the Yunnan Railway to arms shipments into China, the threat of a Japanese invasion of Indo-China, and the application of pressure on Great Britain to close the Burma border, there has been an increase in the ever-present peace rumors. Reports have even been in circulation that Japan has presented most attractive peace terms, such as offering to permit Chiang Kai-shek to head a Chinese Government with capital in Nanking.

Efforts on the part of the writer to find out anything concrete about alleged peace terms, such as by whom and to whom such terms have been presented, have proved uniformly unsuccessful. A particularly specious rumor was to the effect that early in June German emissaries, acting on behalf of Japan, came to Chungking and presented peace terms to Wang Chung-hui (Minister of Foreign Affairs), H. H. Kung (Minister of Finance), and Ho Ying-chin (Minister of War). The same rumor stated that when Chiang Kai-shek heard of the presentation of the terms, he would have none of them and the German mediators were forced to leave without having accomplished anything. The writer has been unable to confirm this story in any way. Persons of responsibility in the Chinese Government when questioned about peace talk have invariably stated that there is absolutely nothing to it.

Hence one is forced to the conclusion that the principal source of peace talk must be the Japanese, to whose advantage it would be to end the war, or wishful thinking on the part of certain Chinese, mostly bankers and big business men in Shanghai and Hongkong, who would like to see peace because it would benefit them financially.

In this connection it is interesting to note that peace rumors almost invariably originate in Shanghai or Hongkong. The writer has never known of any to originate in Chungking.

From a number of sources close to the Generalissimo one hears that he is absolutely determined that he will not talk peace until the Japanese Army leaves China. These sources state that Chiang Kai-shek's determination in this respect amounts almost to an obsession with him and that while he is usually calm and restrained when talking on most subjects, he can become excited and even show signs of passion if anyone dares to broach the matter of making peace with him. These persons are of the opinion that the Generalissimo would abdicate, or even commit suicide, before he would discuss peace with Japan or Wang Ching-wei unless the Japanese Army first withdrew from China.

Hence it appears fairly certain that even if advocates of peace in free China had any strength, and the writer doubts if anyone of importance dares to come out strongly for peace at present, the Generalissimo would have to be gotten out of the way before peace negotiations could be entered into. There is of course always the chance of another incident, such as the Sian kidnapping, which might suddenly change the aspect of affairs in China, but this is considered extremely unlikely. From the reports of the many well informed foreigners who are constantly coming to Chungking from both free and occupied China, Chiang is more popular with the Chinese people now than ever before. Consequently it seems very unlikely that there is any ~~likelihood~~ chance of his being forced out of office, and he certainly shows no signs of any intention to resign voluntarily.

It is conceivable that circumstances, such as the closing of munition routes and the invasion of Indo-China by Japan, may in future bring about a situation in China which will make it impossible for Chiang to maintain his determination not to make peace except on his own terms. That this time is near at hand, however, the writer finds it difficult to believe, although he is forced to the conclusion that the general situation as far as free China is concerned has showed marked deterioration during the past month.

In spite of the fact that things look ~~rather~~ dark for China ~~right~~ now, the writer feels that as long as the determination to resist continues, there is no need for despair. When the vast Chinese armies no longer have room in which to maneuver and have no more ammunition for rifles and machine guns, then China may be said to have her back to the wall, but as far as the writer can see, that time is yet far off. And as long as the bulk of all the armed forces which Japan can muster still flounder, greatly overextended, in the vast bog of Chinese territory, Japan has not won the war.

4, Air Raids.

Violent bombings of Chungking began on May 22nd and since that date the undersigned has reported seventeen raids. Most of these raids have been heavy and property damage has been extensive, but casualties, fortunately, have been comparatively small.

It is interesting to consider the net result of these raids from a Japanese standpoint. Damage to the city has been very heavy. Up until the end of May, a trip through the city gave one the impression that the bombed areas were much less in extent than the undamaged sections, but such

is not the case now and there are few parts of the city where the results of bombings are not apparent. Most of the damage, however, has been to buildings of small value, and important objectives have been largely untouched. Banks, hospitals, the power and water plants, most of the government buildings, and many other important structures have escaped altogether or with slight damage. A thorough visit to the industrial areas shows that damage to plants of importance does not exceed a total of about thirty per-cent. Educational institutions have suffered heavily. Three important universities, National Central, Fu Tan, and Chungking Universities have had many buildings destroyed. Nankai Middle School, the most modern educational plant in or near the city, has not been damaged.

Summing up, property damage has been extensive but the total money loss remarkably small, and very few objectives of military importance have been hit. The Chinese claim the total property loss does not exceed two million yuan. This figure is impossible to check, but assuming the loss is twice this amount, it is still remarkably low in view of the number and intensity of the raids.

As far as the effect of the raids upon the morale of the Chinese people is concerned, the writer is convinced that it has been very slight. From the standpoint of the protection of the population, Chungking is probably the best off of any city in the world today which is subject to heavy bombing. There is ample warning of coming raids and the dugouts can accomodate all who desire to seek safety therein. Fire fighting equipment is plentiful, and the personnel, through long experience, remarkably efficient. Rescue of wounded is carried out with speed and efficiency. Before the dust from heavy bombings has had time to settle, rescue squads and fire fighting companies are at work.

Anyone who has watched the behavior of the population of Chungking during an air alarm will be convinced that the terrorizing effect of the raids is almost nil. The populace proceeds, often with haste, but always with calmness and good order to the air raid shelters, and one often hears laughter and joking as the people hurry along, most of them carrying their most precious possessions in one hand and a small stool in the other.

Many business firms, both large and small, are open during the early morning hours, and then if the day is fine the shutters are put up and all hands cross to the south side of the river, to remain there until late afternoon or until after "all clear" has sounded. Of late the Japanese planes have appeared with regularity around eleven o'clock in the morning, making it possible for the population to regulate their lives accordingly.

A conservative estimate of what it has cost the Japanese to bomb Chungking since May 22nd is around $4,000,000 U.S. currency. This includes the cost of bombers which it is fairly certain have been shot down. For this sum it is the opinion of the writer that the Japanese obtained almost nothing in the way of military results. The writer also believes that no matter how often or how violently the Japanese continue to bomb Chungking, they can neither break the spirit of the local population nor force the Chinese Government to move the capital elsewhere.

As far as moving the capital is concerned, it is difficult to see where a safer or more suitable location could be found, unless it were so far away that a Chinese government functioning there would to all intents and purposes have ceased to exist. Chiang Kai-shek recently stated that

capital will remain in Chungking even if it is reduced to a heap of dust, and the writer believes that as long as he remains in power, the government will not be moved from this place.

5. Position of Chiang Kai-shek.

An American of many years residence in China, considered by the writer as a competent observer, who recently visited Chungking after extensive travel in Japan and Manchuria, states that in the Three Eastern Provinces Chiang Kai-shek is revered and admired even more ardently than in free China. Moreover, according to this source, he commands the admiration of a surprisingly large number of persons in Japan because he has been able to hold out successfully for so long against all the force that the Japanese militarists can muster against him.

It is not surprising that Chiang Kai-shek is a popular hero in Manchuria, if for no other reason because the Japanese, from all reports, are so universally unpopular, but if Chiang is able to command respect from even a part of the Japanese it appears a decided testimonial to his greatness. Stop

6. Local Conditions.

(1) Profiteering.

While profiteering has probably always existed and will always exist in most countries in times of war, there is no doubt that it is being carried on with particular shamelessness in Chungking at the present time. Particularly noticeable is the way in which certain classes of small business men take advantage of the common people during air raids. Normal sampan fare across the river is ten cents,- it was three cents a year ago,- but during an air raid many boatmen demand, and usually get, one dollar per passenger or even higher. Persons desiring to hire a whole sampan during a raid may have to pay fifteen or twenty dollars, although the regular price is about two dollars. Chair coolies usually get about a dollar for carrying a passenger from the ferry landing to the nearby village of Huang Kou Ya, but when the air alarm has sounded or on fine days when bombings are likely, it is often hard even for a Chinese to rent a chair for five dollars for this trip.

The price of rice continues to rise in spite of the fact that a good crop seems assured. Rice is now $16.00 Mex a tou (28 chin of one and one third pounds per chin or "catty"). This is over four times what it was a year ago. As previously reported, wages are constantly rising in Chungking, but they have not increased in proportion to the price of rice.

While unavoidable wartime conditions may justify to some extent the rise in the price of rice, the writer feels that it is largely due to profiteering. That either the municipal or national government could, however, effectively prevent profiteering in rice or any other important commodity is seriously doubted.

(2) Housing Conditions.

Because many persons have been rendered homeless in recent air raids and because of the dangers and inconveniences of residence in the main part of Chungking, thousands are now seeking places to live in the small villages on and near the bank of the Yangtze opposite the older part of the city. These villages are now badly overcrowded

and since the hot weather has come sanitary conditions have deteriorated to the point that some anxiety is felt concerning the possible outbreak of epidemics.

Building activity in the villages referred to above is feverish, and flimsy houses, built principally of bamboo, mud, and tiles are being rushed to completion on every available plot of ground. In spite of this, the demand for houses and rooms far exceeds the supply, and rents have skyrocketted. Landlords are not the only ones who have been benefitted by the sudden increase in population in these villages. Almost every kind of business, particularly restaurants, tea shops, and shops selling food and manufactured articles are enjoying unprecedented prosperity.

David D. Barrett

David D. Barrett,
Major, Ordnance Dep't.,
Ass't M/A.

Copy to: M/A, American Embassy, Peiping.

AUG 31 1940
OFFICE CHIEF OF STAFF
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WAR DEPARTMENT

2055-J-622
2055-345

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AMERICAN EMBASSY
Office of the Military Attache
Chungking, China

July 22, 1940.

Subject: Comments on Current Events (Number Seven).

To: The Assistant Chief of Staff, G-2, War Department, Washington, D.C.

1. Great Britain Appeases Japan at the Expense of China.
2. Closer Relations with Russia Predicted.
3. Peace Talk.
4. Seventh Plenary Session of the Central Supervisory Committee of the Kuomintang.
5. Probably Military Moves by Japan.

1. Great Britain Appeases Japan at China's Expense.

The closing of the Burma border to shipments of munitions into China, announcement of which was made on July 18th, came as a severe but not unexpected blow to the Chinese. At the time of the evacuation of British women and children from Hongkong, begun around the first of July, some hope was felt in official and unofficial circles here that Britain might be preparing to make a firm stand against the Japanese demands, but these hopes were dashed when the report came from London that the final settlement of the question of the border closing would be left to the British Ambassador to Japan. This was taken as a definite indication that the Japanese threat against Hongkong had forced the British to yield.

Whether or not Great Britain could have been reasonably expected to do anything else in this instance than give way to Japanese pressure is a mooted question. The opinion was freely expressed here in foreign circles that had England called Japan's bluff, the latter would hardly have dared risk the consequences of a declaration of war, which it appears could scarcely have been avoided had Japan blockaded Hongkong by sea. A declaration of war, so it was opined, would have resulted in the application of the United States Neutrality Act to Japan, probably to the disadvantage of the latter.

Informed circles here generally agree that by appeasing Japan Great Britain has taken a step which stands to cost her the little prestige still remaining to her in the Far East, a step which it is expected will only temporarily stave off a Japanese move to seize Hongkong. On the other hand, opinion generally seems to be that had Great Britain maintained a firm stand, although she might have lost Hongkong sooner, she would have kept the good will and respect of the Chinese and at the same time have aroused public opinion in her favor in the United States. In other words, by appeasement England appears to have lost much and gained little.

The statement made to the undersigned on July 12th by the British Assistant Military Attache (Radio No. 143) claiming that President Roosevelt's views on the subject of a Monroe Doctrine for the Far East had cut the ground from under the feet of Great Britain and made it necessary to close the Burma border, appears to indicate a desire to place a measure of the responsibility for this ac-

tion on the shoulders of the United States. Major Mayer, who recently visited Shanghai and Hongkong, reports a similar desire on the part of British residing in those ports.

On July 18th, a member of the staff of the Chinese Ministry of Foreign Affairs asked the undersigned if it were true that the United States had refused to promise help to England in the event that a firm stand on the Burma border question caused the Japanese to attack Hongkong. Although this official would not admit it, the undersigned is of the opinion that the British Embassy here either directly or indirectly conveyed the impression to the Chinese Foreign Office that such was the case.

The closing of the Burma border has aroused great resentment in Chinese official and unofficial circles here. It is generally claimed that it constitutes an entirely unneutral act against China and was without justification in international law because the Japanese maintained no blockade of the Burma border, and was the more reprehensible in view of Great Britain's repeated asseverations of a desire to support China in her struggle against Japanese aggression.

Several British subjects here have admitted to the undersigned that it was unfair to China to close the Burma border, but justify this action on the grounds of necessity. These persons point out that it has been agreed to close the border for three months, during most of which rains will render the Yunnan-Burma Highway almost unusable, and at the end of these three months a change in the situation in Europe may make it possible to open the border again.

The undersigned has observed no tendency on the part of official circles to minimize the seriousness of the closing of the Burma border, but neither has any responsible Chinese been heard to admit that it will affect to any ~~serious~~ affect extent the Chinese power of resistance. It is claimed that not only has China on hand a sufficient amount of ammunition to last a year, but that the importation of gasoline and other vital munitions from Russia can be increased. The Chinese also hope to continue to import munitions through gaps in the Japanese blockade of the China coast, and by bribing of Japanese inspectors on the Indo-China-Yunnan Railway.

2. Closer Relations with Russia Predicted.

Not only, as noted above, does China hope to increase the importation of munitions from Russia, but also, with no help to be expected from England and France and with prospects uncertain of obtaining any from the United States, it is natural that Russia should be looked to for aid in all other possible ways. This probably means that China will take steps to cultivate closer relations with Russia, and definite indications of such steps are expected to appear very soon.

During the past few days the undersigned has heard rumors from a source which has proved well informed in the past that a pending reorganization of the National Government will give important posts to Chou En-lai (he is already a Vice-minister of the Ministry of Political Training) and to Mao Tzu-tung, and will reshuffle even Kuomintang stalwarts so as to please the Chinese Communists, and presumably in turn Russia, as much as possible. While it is difficult for the writer to envisage a change in the government which would give a high post to Mao Tze-tung, a less drastic reorganization to conciliate the Communists would not come as a surprise.

Reports of a settlement, favorable to the Communists, of the question of the hsien which they are to control in Shensi and Kansu are already in circulation. Details of the settlement will be reported when available.

The writer has yet to talk to a responsible Chinese who seemed to view the prospects of closer relations with Russia with any particular pleasure, and the opinion is generally expressed that Russia will probably expect heavy compensation at some future time for aid extended now. These same persons, however, agree that in the present crisis Russia is China's best bet.

3. Peace Talk.

Rumors of peace we have with us always here in Chungking, but when talk of terms comes up the writer has as yet been unable to get satisfactory answers to the question, "By whom and to whom presented?" It is the impression of the writer, however, from the discussion of peace rumors with responsible persons in unofficial circles,- for from official quarters one can get nothing but denials that any peace sentiment exists except among weak-backs, traitors, business men, and bankers,- that the subject of peace is being talked about more by better-informed Chinese in Free China than has hitherto been the case.

The writer believes this is not the result so much of war weariness, although such a feeling may exist to some extent even among the patriotic, but of a feeling that the time may not be far off when circumstances may force China to enter into formal negotiations concerning peace. As far as the writer is concerned, he feels such a day is still far away for he is convinced that Chiang Kai-shek is almost fanatically determined not to make peace except when the Japanese Army has withdrawn from a large part of China.

To venture a prediction, the writer believes that Chiang would be willing to enter into peace negotiations if the Japanese Army would withdraw from Central and South China, in spite of the fact that he has consistently declared he will not talk peace until there are no Japanese soldiers on Chinese soil. As for Manchuria, it is thought that Chiang probably has little hopes for its recovery except at some time in the dim and distant future when economic collapse or revolution will have greatly weakened Japan.

4. Seventh Plenary Session of the Central Supervisory Committee of the Kuomintang.

This session, which convened on July 1st and adjourned on July 8th, was of more interest, to the general public at least, because of the circumstances under which it was held than because of the business transacted. Proceedings of the Session were mostly kept a closely guarded secret, but among items released to the public was the important announcement that the People's Congress to adopt a constitution would be held as planned in November.

The Session attracted popular interest, however, because it was held during some of the heaviest bombings through which Chungking has ever passed. Chiang Kai-shek had declared that the Session would meet no matter how severely the Japanese might bomb the city, and he made good his words. The closing cermonies of the Session had to be hastily recessed in order to permit delegates to seek safety in dugouts during an air raid, but were resumed as soon as "all clear" had sounded, in a building considerably damaged by bomb concussions.

5. Probable Military Moves by Japan.

With the new Konoye Cabinet pledged to terminate the China Incident as quickly as possible, it is interesting to speculate on what moves the Japanese Army is likely to make in the near future. While the Japanese will probably seek to make peace by intrigue, political maneuvers, and skulduggery, it seems probable that such means, while they may effect to some extent the faint hearted and the war weary, will have little or no effect upon Chiang Kai-shek, who still has the say as to whether or not peace will be discussed.

Accordingly it would appear as if the Japanese Army would have to do something to force the Chinese into a tighter corner than they now find themselves before the China incident can be terminated, at least on Japan's terms. If and how this can be done remains to be seen.

A move on Sian and Lanchow to stop the importation of munitions from Russia would be a logical maneuver at this time. Such a move would probably be best executed by taking Fancheng, on the Han River in Hupeh, and from thence advnacing northwest on Sian. It would involve operations in an area in which the Japanese have already suffered reverses, but if they use enough troops the Chinese can hardly be expected to hold for long, even though the commander in the Fancheng area is Li Tsung-jen, who has ~~already~~ previously administered some heavy blows to the Japanese Army in northern Hupeh and southern Honan.

Rumors are heard that the Japanese may try to move from Ichang west to Patung and from there along the good road which runs to Chikiang and Chungking. Present reports that there is only 1 regiment of Japanese troops across the Yangtze opposite Ichang, none opposite Shasi, and no signs of Japanese naval activity on the river above Yochow, do not indicate that any such operation is contemplated, but it is of course possible for the situation in this respect to change very quickly. An invasion of Sze-chuan should be difficult if the Chinese resist,-a statement which applies equally well to operations in any other part of China,-particularly so as it seems very unlikely that the Japanese Navy could steam up the Gorges to support troops moving near the south bank of the Yangtze.

It appears as if the Japanese must eventually have to clear the Canton-Hankow (Yueh-han) Railway from Changsha to a short distance north of Canton, a stretch which is still in Chinese hands. In spite of the fact that the Japanese took a stiff punch in the nose when they tried to take Changsha last fall, it is the concensus of opinion among foreign observers here that the capture of this city would not be particularly difficult if the attack were carefully planned and properly executed.

The tasks still ahead of the Japanese Army in China are easily seen. What is not so apparent is what it will cost in men and money to accomplish them, and in what condition the Army will be, if and when the objectives are attained, to assist in carrying out the ambitious plans which the Japanese are said to be making to advance southward.

David D. Barrett

David D. Barrett, Major, Ord. Dep't.,
Assistant Military Attache.

Copy to Military Attache, American Embassy, Peiping.

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RECEIVED G/2 W. D. SEP 3 1940

MILITARY INTELLIGENCE DIVISION

WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA

Country Reported On

Subject COMMENTS ON CURRENT EVENTS **I.G. No.** ----

Brief Descriptive Title

Source and Degree of Reliability:

Principally press

Summarization of Report
When Received

1. China in the Light of Recent European Events
2. The Nanking Regime
3. Import Control in North China
4. Foreign Concessions
5. Resignation of Wang Ke-min as President of the North China Political Council

In Case of Special Events Enter Item Headings Here

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G-2 Distribution: 4, ---- **5,** 1 **6,** ----

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From M. A. China **Report No.** 9922 **Date** July 30, 1940

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RESTRICTED

Classification

WAR DEPARTMENT
OCS Form 17

U. S. GOVERNMENT PRINTING OFFICE 16—14547

1. China in the Light of Recent European Events.

The sudden change in the trend of the military situation in Europe, climaxed by the capitulation of the French Army and the consequent focusing of British attention on the defense of the homeland, has unavoidably dealt a blow to the Chungking Government, the consequences of which may be very grave for the latter. Britain and France have steadfastly aided the Chungking Government and at the same time offered as much passive resistance to Japan as was possible. France in particular has always maintained a very firm stand against Japanese demands of every nature, but now she has been forced by circumstances to accede to three and undoubtedly more will be presented to her in the future. The settlement of the three demands in question allows the Japanese to police a section in the western part of the Concession in Shanghai, also to enter and investigate alleged anti-Japanese activities in the Concession in Tientsin, but the most important, as far as Chungking is concerned, is the closing of the Indo-China—Yunnan railroad to military supplies for Chungking. Britain, in her turn, concerned as she is with the situation in Europe and faced with a possible invasion of Hongkong, agreed to close the Burma road, one of the two remaining lifelines of Chungking. Although the agreement stipulated that the road would be closed for three months while negotiations proceeded, observers here believe that the three-month period was only for face-saving and that unless British arms are favored in Europe the road will remain closed until the cessation of Sino-Japanese hostilities. The United States, of course, still appears ready to continue moral and financial support, but the Japanese do not seem to fear the former and financial loans are of little avail if the munitions so purchased have no access to free China.

Chiang Kai-shek must therefore lean more heavily on the Soviet and endeavor to increase the amount of supplies entering China from Siberia via Tihwa, Hami, and Lanchow. If he is successful in this he will have to make concessions for he has found the Soviet to be a hard bargainer, but more important than the granting of concessions is the fact that he is fighting for the very existence of the Kuomintang and one point in his favor in negotiations with the Soviet is that the two countries have a mutual enemy in the Far East - Japan.

The German Ambassador, Dr. Trautmann, has recently returned to Chungking via Siberia. He is reported to have visited Moscow on his way back and to have had conferences with representatives of the Soviet Embassy in Chungking after his return. One wonders if the Germans will endeavor to forestall Soviet aid to China and thus help the Japanese cause? The undersigned does not believe that the Nazis are anxious to have a dominant Japan in the Far East but at least the Japanese are indirectly aiding them by their open hostility to Britain.

As far as the Japanese policy with reference to the China Incident is concerned, they have never been in a better position to carry out measures for the final settlement without too much outside interference. With the eyes of America, Britain, France, and the Soviet on Europe, it is presumed that the Japanese may take whatever steps they deem necessary to close the incident. The only question is, what more can they do? General Chiang Kai-shek still refuses to listen to any peace talk in spite of the recent developments, and so far the Japanese have failed to conquer by force of arms. Although the ports of China have been occupied or blockaded, the occupied territory in the interior still consists of lines and circles, the lines being the communication routes and the circles representing the towns occupied. There are still vast numbers of Chinese regulars, irregulars, and guerrillas actively operating within the so-called occupied territory and this necessitates maintaining an enormous expeditionary force even if further military operations are not forthcoming.

To sum up: China is not ready to talk peace terms and Japan will not consider the incident closed until the fall of the Chungking regime. The loss of the Indo-China and Burma routes and the closing of the South China ports is a hard blow, but in spite of this it is believed that General Chiang can hold out, and that he will do so at all costs.

2. <u>The Nanking Regime</u>.

There is very little to report on the activities of the Nanking Central Government established by the Japanese and headed by Mr. Wang Ching-wei. During the period under review this organization has concerned itself largely with anti-foreign newspaper and radio propaganda and, suspected by many, terrorism in the International Settlement in Shanghai.

Chungking sources claim that the many defections which are already apparent in this government are responsible for large numbers of puppet Chinese troops turning over to the Chungking regime, but this has not been confirmed.

The Japanese Ambassador (former Premier General Abe) and his staff of advisors have been busy negotiating for terms by which the Japanese Government can offer full recognition to the Nanking Government, but so far nothing has been forthcoming.

The Chinese in the occupied area seem to have very little enthusiasm for the Nanking Government and its puppet head, Mr. Wang Ching-wei, for in their minds his subordination to the Japanese will always surmount his reputation as a Chinese leader.

3. Import Control in North China.

On June 26th of this year the North China Political Council published a new set of import restrictions which presumably went into effect immediately. While full details may be ascertained from reports to the Departments of State and Commerce, a brief summary is included herewith as of possible interest, in that these restrictions (as in Manchukuo) may presage the "freezing out" of foreign business in North China. Mr. Sakatani, the manager of the Peking branch of the Federal Reserve Bank, told an Embassy official that "the object of the legislation is to limit the imports into North China to those items which are deemed absolutely necessary." Final judgment actually rests with the Peking liaison section of the China Affairs Board and its agent, the Federal Reserve Bank, where all applications for import permits must be submitted.

The restrictions apply to Japan, Manchukuo, Central and South China as well as foreign countries, but it is assumed that no difficulty will be evidenced in obtaining permits to import goods from the above named yen block countries.

The only commodities which may be imported without a permit are all foodstuffs, - wheat, flour, rice, millet, kaoliang and corn flour. Everything else is taboo. As an example of how this new law works, the Peking agent for an American automobile company was told when he submitted a permit to import twenty of the company's cars that he would have to submit a signed and bona-fide contract of sale for each vehicle to be imported. Thus foreign liquor dealers, druggists, and tailors would have to have their wines, cosmetics and suits sold before they arrive in China.

COMMENT: These restrictions will probably not affect the oil companies such as Standard, Texaco, and Asiatic Petroleum, since oil will undoubtedly be considered a necessary item, but the agents for other foreign commodities may have to go out of business. Strange as it may seem, this law did not come as a surprise, for a nearby precedent had already been established in Manchukuo.

4. Foreign Concessions:

The old familiar cry of "give back the concessions to China" has again reared its ugly head. On June 27th handbills were passed out in the British, French, Italian, and (to make it honest) Japanese Concessions in Tientsin. The translation is as follows:

> "Dear Brethren: "The foreign concessions are the fountain of evils and their existence is verily a stain on the glorious history of our country. So long as these concessions exist, we

can never emerge as a first class nation in the world. The concessions owe their origin to the internal disorder of China which gave them a pretext to create such concessions with which to protect their rights and interests. But now the situation has changed. England, France, and Italy, who have concessions in Tientsin, are fighting bitterly among themselves in Europe. Should they spread the terrors of war to this port city, what a deplorable plight we will be in! Just think of the miseries! In order to prevent such disasters from befalling us, we have got to take these concessions back. The people living in the concessions have suffered a lot during the past year from the traffic restrictions imposed upon the concessions. If these areas are taken back, the basic ground for sufferings like that is gone. We have to strive to be superior people. Look at France, who is now falling to the lowest grade of nations. How can we stay in a territory that belongs to the lowest of people? Rise up, comrades, and take back these concessions.

Tientsin Concession
Retrocession Federation."

On the 29th of June an editorial in the Chinese puppet Yung Pao urged that now, since Britain and France were wholly occupied with embarrassing problems in Europe, was the time to take back the concessions from the foreign rulers. The article went on to depict graphically the degenerate and lascivious lives of the foreign residents which, it stated, tended to demoralize all the pure Chinese living in or near the concessions.

The Peking Hsin Min Pao came to bat on July 9th with a similar editorial which was pointedly anti-British, French and American. It began reasonably enough with the suggestion: "America for the Americans, Europe for the Europeans, therefore why not Asia for the Asiatics?" It then went on to say that since France has capitulated and Britain has retreated to England, the time is ripe to reclaim the British and French Concessions, and ended by opining that since Germany and Italy have begun a new order in Europe by wiping out Britain and France, the Asiatics should remove all obstacles in the way of the establishment of a new order is Asia by retaking the territories lost to Britain and France in Asia.

COMMENT. Obviously inspired by the Japanese sponsored Hsin Min Hui. Similar editorials have appeared from time to time but make no particular impression on the average Chinese living either in or out of the concessions. Anti-American propaganda, posters and editorials,

appeared in Japanese controlled Honkew in Shanghai shortly after the incident on July 7th when American Marines arrested sixteen Japanese military police who were in the American area without permission. The details of this case are known to the War Department and will not be related here. Anti-American posters also appeared in Hangchow and it was rumored that some would be circulated in Peking, but this was not the case and no anti-American demonstration of any kind has occurred in North China.

5. Resignation of Wang Ke-min as President of the North China Political Council.

Wang Ke-min, who had been the puppet head of the North China Provisional Government since its inception and was retained as President of the North China Political Council when the Nanking regime was inaugurated, resigned early in June. Wang was known to have been a good friend of his military adviser, Lieut. General Kita, and these two were reported to have opposed the establishment of the Nanking regime as long as possible, holding out for a more autonomous organization in North China.

A Chinese source connected with the Political Council stated that Wang resigned after refusing to accept three demands pressed on him by the Japanese military, and that his successor, Mr. Wang Yi-tang (formerly of the Reformed Government in Nanking) had been forced to accept these same demands. They were, reportedly: (1) Devaluation of the Federal Reserve currency which at present may be changed one for one with Japanese yen, (2) increase of Japanese officials and employees in all departments of the North China Political Council to a number equal to the Chinese personnel, and (3) enforcement of a conscription law similar to that now in force in Manchukuo.

Whether Mr. Wang Ke-min suddenly had a patriotic change of heart or whether the Japanese decided to get rid of him is not certain, but it is believed that his successor is still having difficulty keeping his Chinese directors from resigning because of the increasing infiltration of Japanese advisers.

COMMENT: Another leaf from the Manchukuo book. In Hsinking at present it is practically impossible to find a Chinese in any executive capacity whatsoever. It is believed that had North China remained more or less independent from Nanking there would have been by now very few Chinese officials left holding the reins, and this may very likely happen in future if the Japanese continue their occupation. Not "Asia for the Asiatics" but "China for the Japanese."

F. P. Munson

F. P. Munson
Captain, Field Artillery
Assistant Military Attache

2055-622

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Classification

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RECEIVED G/2 W. D. SEP 27 1940

MILITARY INTELLIGENCE DIVISION

WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA

Country Reported On

Subject COMMENTS ON CURRENT EVENTS **I.G. No.**

Brief Descriptive Title

Source and Degree of Reliability:

Comments on Press

Summarization of Report
This Report

1. The Nanking Regime
2. The Indo-China Question
3. Tientsin Silver
4. Foreign Troops in Occupied Areas of China
5. Investigation of Foreigners

In Comments on Current Events Enter Item Headings Here

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Copy No. 1, R/S; 2, L/C; 3, Section File

From M. A. China **Report No.** 9927 **Date** August 20, 1940
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Classification

WAR DEPARTMENT
OCS Form 17

U. S. GOVERNMENT PRINTING OFFICE 16—14547

1. The Nanking Regime.

The thirteenth meeting between Japan's Ambassador General Abe and Mr. Wang Ching-wei was held in Nanking on August 21st. At this meeting it was reported that final settlement of the draft agreement relating to basic and detailed points was made and that diplomatic relations between Japan and "China" are now virtually concluded. It is interesting to note that these meetings have taken place since July 5th, and one wonders just wherein lies the reason for the delay in final settlement. It has been rumored that Mr. Wang has not been found as malleable as his sponsors had hoped, and that while the Japanese would now like to get rid of him the loss of face in such a substitution would be astounding and, furthermore, it would be doubly difficult at this point to find a suitable figurehead to take his place.

Mr. Wang has not been a total loss to the Japanese, however, and has served them as a very convenient mouthpiece to propagate peace between China and Japan and the establishment of the "New Order." On the third anniversary of the outbreak of hostilities in Shanghai (August 13th) he issued a lenghty statement condemning the Generalissimo and advocating peace between the two countries. He pointed out that the cardinal blunder of the Chungking regime was its effort to invite foreign intervention in order to secure a peace with Japan on as favorable terms as possible. With reference to the new order he used the classic example of present day Europe. Not only small and weak countries, he stated, but individually strong ones cannot hope to maintain their national existence in the face of the present international situation. His solution was that a group of powers which were closely related by geographic, racial, economic, and moral ties should strive for common existence and prosperity. This, he concluded, was the goal which prompted the Japanese to propose the principles of good-neighborliness, common defense against communism, and economic collaboration.

COMMENT: To the average Chinese in both the free and occupied areas Mr. Wang's remarks lack a convincing ring, but they serve nicely as unofficial Japanese warnings to foreign powers. Information from Chungking lends a certainty to the belief that he is once and for all an outcast from the Nationalist Kuomintang, and if this be true and he is not covertly working for Chungking, it is strange that the Japanese have not made him come to terms long before the present date. It is also possible that Mr. Wang, while not being in sympathy with the Chungking regime, is still working for an independent China which will collaborate with Japan and yet not be a complete vassal to the latter country.

2. The Indo-China Question.

The former Governor General of Indo-China, General Catroux, was considered by local French sources to be a man who would fight before allowing the Japanese to violate

French territory. With the inauguration of the Vichy Government he was relieved by Vice Admiral Decoux, and after the agreement to close the Indo-China—Yunnan railroad it seemed as if the Japanese had at last deprived the Chungking Government of that important supply route. Japanese military inspectors were dispatched to Hanoi to negotiate with the French authorities, and after these returned an interview was published in Canton in which one of these inspectors opined that complete co-operation was lacking on the part of the French, in that large quantities of military stores destined for Chungking had been concealed before the arrival of the Japanese and were still being smuggled across the border. Warnings to the French appeared in the Japanese press, and at the same time an unofficial despatch from Chungking declared that the Chinese would hold the French responsible if Japanese troops came through Indo-China and that Chinese troops would be sent to the border to take whatever military measures were necessary.

Thus the situation has become highly involved, but the next move is up to the Japanese. The Military Attache, who was recently in Hanoi, reported that the Vichy Government had authorized Admiral Decoux to negotiate with the Japanese but to stall as long as possible and in the end to say no. And yet if saying no will bring a Japanese invasion why should the French defend Indo-China, which may possibly be turned over to the Germans anyway? The Japanese are obviously dissatisfied with the results of negotiations so far, but it is not believed that they have at present enough fresh troops in South China to undertake a blitzkrieg against the French led Annamites and possibly several Chinese divisions.

3. Tientsin Silver.

An article in the local Chinese press dated August 20th stated that as stipulated in the Franco-Japanese agreement a portion of the silver in the French Concession, to the amount of £200,000, will be "handed over" not later than August 25th (see par. 6, Report No. 9903). The report further stated that the Japanese authorities have decided to sell in September the £100,000 already turned over by the British and to buy with the proceeds 400,000 bags of Australian flour (ostensibly to be distributed to the needy in Tientsin).

COMMENT. The forfeiture of some or all of this silver was part of the price the British and French authorities had to pay in order to insure the permanent removal of the barriers around the Concessions. Of course they received violent protests from Chungking, but they were able to regain some of the face lost by insisting that the money be spent on the needy Chinese in the Tientsin area. Whether or not the flour will be distributed gratis is open to conjecture, and an interesting feature is now that the money is actually coming out of the Concessions the press reports openly mention the Japanese as managing the transaction, while formerly it

was stated that the silver deposits were to be turned over to the "Chinese" authorities.

4. Foreign Troops in Occupied Areas of China.

On the evening of August 9th the guard detachment of the British Embassy in Peiping received orders to evacuate at once. This unit left Peiping on the 13th to join the Tientsin garrison, and both units embarked at Tientsin and sailed on the 18th for Shanghai.

As soon as the order to evacuate was received, the commanding officer of the Peiping detachment notified the Japanese military headquarters and almost immediately a staff officer with interpreter called to arrange the details of rail transportation. Everything was agreed upon, but later the commanding officer informed the undersigned that the Japanese were not facilitating but rather hindering the transfer as much as possible. I made some inquiries but the military were reticent to explain their action other than by saying that an oral request for transportation was not sufficient and when the written one came it was not on the proper form and when the proper form was submitted it was not correctly made out, etc. On the last day the cars were not switched to the loading platform till two hours after the requested time, and when the hour of departure came no engine was coupled to the train, but after about an hour's delay the detachment got under way.

Both the Japanese Embassy and military headquarters showed evident surprise at the suddenness of the move and seemed indignant that they had not been informed beforehand. They also asked the British if they had been in consultation with the American authorities. I personally believe that the Japanese military had hoped that the British would evacuate their personnel only, leaving ammunition stores and heavy equipment behind.

The evacuation of the British troops in North China was followed shortly by that of the garrison in Shanghai and, strangely enough, the tone of the Japanese sponsored Chinese press was anything but conciliatory. The general tenor was that while it was a good thing that the British troops had left China, the gesture was a failure if intended for appeasement for the only appeasement acceptable to China and Japan would be a decided change in Britain's attitude toward the New Order in East Asia. Lately there have been demands in the puppet press for the removal of the American marines, while very little has been said about the French troops. It was reported that the Italian garrisons were to be voluntarily withdrawn but this was denied by the Lieutenant commanding the small naval force in Peiping, and it would be interesting to see how they could do so without crossing Siberia.

COMMENT: While the evacuation of British troops has not settled the question of foreign guards in China as far as the Japanese are concerned, it has certainly helped to bring the final decision closer to hand. Foreign observers feel that sooner or later something must be done, - the guards must either go or stay, and the most important decision rests with the United States. The Japanese bitterly resented the decision of the guard commanders in Shanghai to turn the British sector over to the Fourth Marines. This was only natural, for if the area fell into Japanese hands they would have control of the Shanghai Bund including the Customs jetties, and thus could slam shut the last crack of the last open door. The temporary decision of the Marine Commanding Officer to use the White Russian Regiment to patrol the British sector is looked upon by the Japanese Domei news agency as an indication of America's "wait and see" policy, and, whether the area is policed by Marines or Russians, it is obvious that opposition from the Japanese can be expected in the near future, although it is difficult to predict whether this opposition will take the form of increased acts of terrorism in the Settlement or of attempted diplomatic pressure from Tokyo.

5. Investigation of Foreigners.

On August 13th press reports from Tokyo and Dairen revealed that nineteen foreigners in Kwantung Leased Territory had been arrested by the Japanese authorities for using short wave radio sets to listen to programs emanating from Moscow, New York, Khabarovsk and other places. In connection with the above, it may be of interest to report that foreigners residing in Peiping are also on the Japanese "suspect list."

The listening in on telephone conversations coming from foreign embassies is quite usual and may be expected. Before the new dial phones were installed, if the conversation was not clear it could usually be corrected by suggesting in a loud voice that someone was listening in, whereupon a faint click could be heard and the conversation would become much more audible.

Two months ago all the household servants of all foreigners living outside the Legation Quarter were required to register with the police and were questioned minutely concerning the occupation, finances, friends, and movements of their employers. An oldtime foreign resident of Kalgan who was unjustly suspected of complicity in the case of Lt. Colonel Spear was followed continually during a recent visit to Peiping, including all his movements in the Legation Quarter where he resided. The servants of several oldtime residents have been questioned at length, and usually they were the servants of people with incomes or who had retired. Having no

visible occupation, they were suspected of being secretly hired by some foreign agent. In at least one case physical violence was used in an effort to extort information from a Chinese employed by a foreigner.

While the above instances have proven to be more annoying that anything else, it is possible that in the future more discomforting measures may be instituted.

F. P. Munson
Captain, Field Artillery
Assistant Military Attache

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AMERICAN EMBASSY
OFFICE OF THE MILITARY ATTACHE
CHUNGKING, CHINA.

OFFICE CHIEF OF STAFF
MIL., INTEL. DIV.
OCT
WAR DEPARTMENT
RECEIVED G/2 W.D. SEP 28 1940

August 21, 1940.

Subject: Comments on Current Events (Number eight).

To: The A.C. of S., G-2, War Department, Washington, D.C.

1. General
2. Indo-China
3. Supply
4. Relations with the Communists and Russia
5. Missions to Russia and to Germany
6. Reported Unrest Among Szechuan War Lords
7. Local Conditions

1. General.

There has been little change in the general situation during the period under review. As far as military operations are concerned, quiet has prevailed on allfronts except for minor skirmishes. At this writing the attention of the Chinese and of foreign observers is generally fixed on Indo-China, where the outcome of events will probably have an important effect upon the future of China.

2. Indo-China.

Reports from reliable sources indicate that the Japanese, after their initial success in browbeating General Catroux into closing the Yunnan Railway to shipments of munitions into China and allowing Japanese inspectors to take station on the railway, have made additional demands. These are reported to be that Japan is to be permitted to establish naval and air bases in Indo-China, to transport troops through that country to attack China, and to have the full use of the Yunnan Railway for military purposes.

According to Major Mayer, who recently visited Hanoi, the Vichy Government has instructed Admiral de Coux, who succeeded General Catroux as Governor of Indo-China, to put the Japanese off as long as possible on their demands, and in the end to refuse them. Major Mayer points out, however, that the morale of the French in Indo-China is very low and the necessary fortitude and leadership may be lacking to carry out these instructions, assuming that they have been given.

Major Mayer reports that the Japanese are not as eager to invade Indo-China as some reports would have it. He states that the Japanese troops now operating between Nanning and the Kwangsi-Indo-China border are said to be hard pressed by the Chinese and that consequently supply of these troops has been maintained with difficulty. Thus the Japanese are anxious to send supplies and replacements through Indo-China into Kwangsi but have not thusffar forced a show-down on the French refusal to permit this.

Indicative of the difficulties which the Japanese face in Kwangsi are the reports that they have torn up the light railway which was recently built from Chienhsien (Yamchow) on the coast inland as far as Hsiaotung, about halfway to Nanning. This railroad was intended, according to reports, to transport men and supplies for an invasion of Indo-China or Yunnan Province. If it has been torn up it would appear to indicate that its completion to Nanning is not practicable, presumably on account of attacks by the Chinese on the Japanese lines of communication.

The reports that the Japanese were building a light railway from Chienhsien (Yamchow) to Nanning have been somewhat surprising, as this would appear a verydifficult thing to do in the face of any determined opposition from Chinese forces operating in the area. Apparently the Chinese have not been so inept as to permit the Japanese to accomplish their objective.

The crux of the matter as far as a Japanese invasion of Indo-China is concerned is the question of where the necessary troops are to come from. The recent frequent shifts of Japanese troops from one front to another indicate that about all the forces have been sent from Japan proper which can be conveniently spared. To strip any important front in China for an invasion of Indo-China would involve the risk that the Chinese might assume the offensive and possibly win a victory which would have serious effects for the Japanese. The Japanese must also keep in mind the possibility of an attack by Russia, in spite of recent alleged improvement in Russo-Japanese relations.

The Japanese feint at Indo-China thus appears to be largely a bluff, but the question is whether or not the French will call it. There is of course the possibility in this extremely complicated situation that Germany may encourage France to resist Japan, in which event Germany's motive would presumably be a desire not see a French colony, which she might later secure for herself, fall into the hands of Japan. A member of the Russian Embassy here recently asked the writer if he thought it possible that Germany might permit France to send troops from Europe to the defense of Indo-China. When the writer ventured the opinion that such a move on the part of Germany would be quite a blow in the eye to a member of the Axis, the Russian admitted that it would be, but pointed out that the signing of the German-Russian anti-aggression pact was also a blow to Japan.

China has announced that she will send troops into Indo-China to assist France if Japan invades that country. Informed Chinese circles and foreign observers here seem divided in opinion as to the wisdom of such a move. A Chinese officer of high rank close to the Generalissimo recently told the undersigned that the Chinese high command was not of one mind on this matter, as some felt there was danger that a Chinese army in Indo-China, operating in a strange country and facing many other difficulties, might suffer a decisive defeat which would have a bad effect on Chinese morale. This officer stated, however, that it was generally agreed that the Chinese should, if Indo-China is invaded, send troops far enough over the border to insure the most effective defense possible of Chinese territory.

The writer personally feels that the Chinese should be very cautious about sending troops into Indo-China to assist the French. While such a move might be a sound one on the principle that the best defense is the offense, it seems that the dangers and difficulties of operations in unfamiliar territory, and the possibility of disaster as the result of a French collapse or capitulation, should be carefully considered before sending large forces far into Indo China. The thought suggests itself in this connection that the Chinese might do well to attack and if possible wipe out the Japanese forces in and around Lungchow, Kwangsi, before venturing farther afield.

The Charge d'Affaires of the Dutch Legation in Chung-

king, who was recently in Hanoi, has told the undersigned that he is convinced that the Japanese are largely bluffing about an invasion of Indo-China and even more so about attacking the Dutch East Indies. He had therefore urged his government, so he stated, not be frightened by any Japanese threats, but to make up their minds to resist, if attacked, with every means at their disposal, and to rely on themselves, not on any other power, to defend them.

It appears to the undersigned that the United States should take careful note of the hesitation with which Japan apparently faces the prospect of invading Indo-China. If Japan hesitates to invade Indo-China, how much more so will she think carefully before striking at the Dutch Indies if she is convinced that such action will result in a swift and decisive reaction on the part of the United States?

The writer does not believe that Japan is in any danger of immediate economic collapse, as allreports indicate that on the contrary the country is enjoying a false, war-induced prosperity. Neither can he see any liklihood that China can inflict a military defeat on Japan in this country. It is, however, his opinion that Japan is not strong enough now to risk war with Russia or the United States, or even with England. No one but a madman, apparently, would counsel Japan to war with either one of the two first-named countries, which does not rule out the possibility that the Japanese Army may force the nation into such a course.

It seems passing strange that the circles in Japan which advocate "southward expansion" do not give more thought to the picture of the Japanese Army bogged down in China and unable to finish off their opponents, eventhough the latter are weakened by three years of struggle against heavy odds and are facing difficulties of supply which grow more serious every day.

3. Supply.

Chinese in officials circles with whom the undersigned has discussed the subject of supply steadfastly maintain that the closing of the Yunnan Railway and the Burma Road and the intensified blockade of the China Coast have not yet had any serious effect on the supply situation and are not likely to have for some time to come. They admit that the question of supply is one of the most vital importance, but claim that with what is still coming in and the large amounts which have been stored up, munitions will last at least another year, at the end of which time they hope either to have opened up new supply routes or to have re-opened old ones.

The writer recently talked with General Kuan Lin-cheng, who was in large measure responsible for the defeat of the Japanese when they attempted tot ake Changsha last fall. General Kuan, who had come to Chungking direct from the front in Hunan, stated that he could see no danger of shortages in food, clothing, or ammunition for rifles and machine guns. As for artillery and artillery ammunition, he stated that as far as he was concerned, he had never had but very little, and even if he had none, he thought he could carry on about as well as he had in the past. He stated that he had only two mountain guns to repel the Japanese attack on Changsha, and he was proud of the way he had shifted these two guns about to make the Japanese think he had more, as he claimed captured Japanese intelligence reports disclosed. While General

Kuan mayh ave been talking big for the effect upon the writer, the latter was impressed with his apprent sincerity.

In spite of the optimistic attitude in official circles about the supply situation in general, however, it is difficult to see how a serious shortage of gasoline can be averted in the near future. Foreign oil companies here report that practically no gas has come in since the Yunnan Railway and the Burma Road were closed. Whether enough ordinary and aviation gas for necessary services can be imported from or through Russia remains to be seen. Hithero only a small amount of aviation gas and not much more ordinary gas has come in by the road from Turkestan.

Indicating a realization of the danger of a gas shortage, Chiang Kai-shek recently ordered that motor transport for the use of his personal headquarters be limited to cars for himself, f or Madame Chiang, and for his bodybuard. Chiang Kai-shek is reliably reported to be much concerned over the amount of gas consumed by civil and military officials in seeking shelter during air alarms. The writer himself has watched the stream of cards, driven at high speed, passing along a main road out of the city during an air alarm, and he has seen many an official car carrying only one passenger, sometimes a woman.

The writer believes that if motor transport can be laid up, when necessary, in reverse order of its importantance for military use, there should be enough gas for vital services for a long time. This is a difficult thing to do in any country, however, and whether it can be done here remains to be seen. There has been considerable talk about shipping in aviation gas by plane, and reports indicate that this can be done efficiently and economically if proper preparations are made, but as yet nothing definite has been noted along this line.

4. Relations with the Communists and Russia.

An agreement was recently reached between the National Government and the Communists as a result of which relations between the two are better than they have been for some time past, but the details of the agreement are not yet known. It is commonly reported, however, that the Communists have been given a free hand north of the Yellow River in Honan and Hopei, and that an amicable arrangement has been reached as to the hsien to be controlled by the Communists in Shensi and Kansu. A list of these hsien will be forwarded when obtained. It is also reported that in a recent reorganization of the War Zones, Chu Teh was made Vice-Commander of a Zone. A new list of War Zones is being prepared.

It is obvious that the improvement in relations with the Communists has been the result of a desire on the part of the National Government to please Russia after France closed the Yunnan Railway and England the Burma Road. Chinese in official position in discussing the situation with the writer make no bones of saying that Russia is China's best, if not only, hope at the present moment, although they appear apprehensive that a stiff price will be exacted later for help extended now.

That Russian influence in China is very strong now is indicated by the fact that a former White Russian who has been a military adviser and an instructor in the War College for some

years was recently relieved of duty as the result of pressure from the chief Russian military adviser, in spite of the fact that the former White Russian is now a citizen of China. The former instructor, however, continues to draw his pay.

5. Missions to Russia and Germany.

Reports from a reliable source state that a special mission will soon be sent to Russia. The mission is to be headed by Sun Fo, President of the Legislative Yuan, who has been sent on similar missions before. The purpose of sending the mission is presumably to ask for more aid.

The same source reports that Chu Chia-hwa, Chairman of the Control Board of the Kuomintang will shortly head a mission to Germany. The mission to Germany, according to the report, will have as its objective to persuade Germany to take steps which will prevent Japan from invanding Indo-China, and also, in the event of a German victory over England, to obtain as favorable treatment as possible for China in the peace treaty which will follow the close of hostilities.

6. Reported Unrest among Szechuan War Lords.

About ten days ago rumors were in circulation here that the National Government was seriously concerned over the recalcitrat attitude of Szechuan military leaders who were said to resent the policy of Chiang Kai-shek, now Chairman of this province, in replacing Szechuanese in high provincial posts with Kuomintang stalwarts from outside provinces. Recent heavy bombings of Chungking were also said to have caused much dissatisfaction among Szechuan military leaders who fear that the presence of the wartime capital here, which they had never heartily welcomed anyhow, may eventually result in the complete destruction of the city. Chu Chia-hua, Chairman of the Organization Board of the Kuomintang, was reported to have gone to Chengtu to placate the war lords.

Some fillip was given to the rumors by the fact that at the time they came into circulation, numerous sandbag emplacements were erected at strategic points in Chungking. Reports that these had been built as a precaution against possible attempts by the Japanese to land parachute troops were scouted in official quarters which gave rise to some talk that they were for use in the event of local disturbances.

The rumors have now died down. General concensus of informed opinion here appears to be that while some of the Szechuan war lords might be glad to see peace concluded on almost any terms which did not involve the Japanese coming to this province, the more influential majority will not permit any action which will seriously embarrass the National Government at this time.

Reports from responsible quarters indicate that the anti-opium campaign, which has the personal backing of the Generalissimo, has had to be toned down considerably, if not actually abandoned, in western Szechuan due to opposition on the part of military officials and powerful merchants in that area. This may indicate a desire on the part of Chiang Kai-shek to avoid irritating the Szechuanese as much as possible, particularly on an issue such as opium suppression which can be temporarily soft-pedalled without serious effects on the power of national resistance.

H. Local Conditions.

(1) Air Raids.

The extensive use of incendiary bombs in air attacks on the city proper on August 19th and 20th may presage a change in Japanese air tactics. As hitherto pointed out, attempts to blow the city off the map with demolition bombs have proved largely unsuccessful, and it may be that the Japanese will now try to destroy it by fire.

On the two days noted above, fires resulting from incendiary bombs destroyed an estimated fifty percent of the area within the old wall of Chungking, and about thirty percent of the most important parts of the city as a whole. If these raids are continued systematically whenever weather conditions permit for another month they may be expected to destroy at least half of the city. The effect of the incendiary bombs will become increasingly less destructive as the burned over areas create fire lanes and islands which will prevent wide spread conflagrations. Hence the Japanese air force will have to be very active if the city is to be destroyed before the fogs of fall, which will come in about six weeks, will make air raids impracticable on an effective scale.

A visit to the city on the afternoon of August 20th while large fires were still burning convinced the writer that the people are no more terrorized by the incendiary bombs than they have been by the demolition variety, in other words their morale has apparently not been seriously affected. The undersigned watched thousands of people moving away from the burning and threatened areas, carrying such possessions as they could, but no signs of disorder or panic were observed.

Measures for the relief of the thousands who have been rendered homeless by the fires are being put into effect with despatch and efficiency, and handbills informing the public of these measures are being widely circulated.

(2) Prices.

The price of rice continues to rise, although it is still cheaper here than in many other parts of free China and in practically all parts of occupied China. The rise in price is generally attributed to hoarding and speculation, as no shortage exists and prospects for a fair harvest are excellent.

Among the lower classes, as noted before, the rise in the price of rice is largely compensated for here by an unprecedented increase in wages paid to common laborers. Coolies handling ship cargo, according to the officials of a foreign shipping company, can now earn as much as Yuan 20.00 a day, an unheard of sum for this type of labor. Chair carriers, usually a very poorly paid class of workers in normal times, are now enjoying unprecedented prosperity, as thousands of persons are carried daily from the river bank to nearby villages in the morning and back again in the afternoon. Efforts to control profiteering on the part of chair bearers has proved ineffective.

The increase in the price of rice, which brings a general concurrent increase in the price of most commodities, is hitting the "white collar" class, such as the minor government officials and the clerks, very hard as their pay is low and is subject to various levies to which they have no choice but to submit.

One hears much complaint about the price of rice, which is frequently used by servants and others employed by foreigners to back up requests for increase in wages, but in the opinion of the undersigned, no serious trouble will result from this increase in cost of a staple necessity, even if the price goes higher than it is now, which it may be expected to do.

(3) Control of the Population of Chungking.

Official circles admit that efforts to reduce the population of this city have been largely ineffective. A considerable number of persons have accepted offers of the municipal government of expense money and free transportation to points away from the city, and then have later returned here. Officials state that as long as it is comparatively easy to make a living in Chungking and generally difficult in many other cities of free China, it will be practically impossible to keep people away from the war time capital, no matter what measures are put into effect.

It appears certain that no amount of bombing will cause any considerable number of persons to leave Chungking, for this city, as pointed out before, probably affords as good, if not better, protection to its population against air raids as any other in the world. This is in decided contrast to many other cities, such as Chengtu, Kweiyang, Kunming, Kweilin, and many other places in free China where the only defense against air raids is to seek refuge in the open country outside the city.

David D. Barrett.
David D. Barrett,
Major, Ordnance Department,
Assistant M/A.

Copy to:
Military Attache, American Embassy, Peiping.
File.

1st Ind.

Office Military Attache, American Embassy, Chungking, China, August 26, 1940,- To: A.C. of S., G-2, War Department, Washington, D.C.

Approved.

William Mayer,
Major, Field Artillery,
Military Attache.

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MILITARY INTELLIGENCE DIVISION

WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA

Country Reported On

Subject COMMENTS ON CURRENT EVENTS I.G. No.

Brief Descriptive Title

Source and Degree of Reliability:

Comments on Press

Summarization of Report
When Required

1. The Nanking Regime
2. Situation in Shanghai
3. The Central Government
4. Financial Condition of North China Railroads
5. Expulsion of Japanese Residents

In Comments on Current Events Enter Item Headings Here

1. The Nanking Regime.

During the period under review no unusual developments have transpired in Nanking. The press organs of the New Orthodox Kuomintang have continued with monotonous regularity to support Japan in her role of guardian of the Far East and saviour of Asia. The Chungking regime received its normal allotment of more or less open threats from the Nanking press, and Great Britain and the United States were not forgotten. On August 30th a report from Nanking stated that the negotiations for a readjustment of Sino-Japanese relations aiming at an early establishment of a new order in East Asia would be brought to a conclusion the following day, when General Abe and Mr. Wang Ching-wei would formally confirm the agreement. Since then the Nanking emissary has left for Tokyo to present the terms to the Japanese Government.

Since its inception, the Nanking Government, through its press organs, has loudly campaigned for the abolition of extraterritoriality and for the return of all foreign Concessions and International Settlements to China (Nanking), and the first test of this new government's power (backed by Japanese bayonets) will be revealed in the near future.

In a statement from Nanking on September 29th, Mr. Chu Min-yi, the Foreign Minister, announced the expiration of the Anglo-Chinese agreement regarding British rights and interests in Liukung Island, east of British controlled Weihaiwei on the northern coast of Shantung Peninsula. The report stated that, besides notifying the British Ambassador that the agreement will

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From M. A. China Report No. 9937 Date September 30, 1940

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expire September 30th, the Nanking Government had made it clear that it has no intention of extending the term of the agreement. Mr. Chu continued that while he had received information that the British Government had negotiated with the Chungking authorities regarding an extension of this agreement, the Nanking Government can by no means agree to any such action in view of the fact that it is the sole legitimate government in China and at the same time is qualified to exercise authority on the Island question.

COMMENT: It is impossible to predict how far the Japanese will back the Nanking Government in this little controversy, or what concessions, if any, Britain is prepared to make, but it is probable that in view of the decrease in importance of Weihaiwei as a base since the occupation of Shantung by the Japanese, Britain may decide to let the Island agreement expire without too insistent demands for a renewal.

2. Situation in Shanghai.

While recent events in Indo-China have kept Shanghai more or less out of the headlines, it is nevertheless a powder plant which could possibly be set off by a single spark. The decision as to which nation should patrol the Bund area is still under consideration, with the Japanese military insisting that their demands be recognized, while the United States Marines, acting directly under the Commander-in-Chief of the Asiatic Fleet, have refused to alter the decision reached at the conference of foreign Guard commanders prior to the departure of the British. From press reports, both Washington and Tokyo seem inclined to have the matter thrashed out and settled locally, and if this be true it will probably take considerable time.

The capitulation of the French was the signal for the penetration into the French Concession of Japanese inspectors and gendarmes, and to some observers this meant the beginning of the inevitable attempt on the part of the Japanese to take over control of the International Settlement as well.

Recent strikes have caused further embarrassment to Shanghai authorities. From about the 20th of September the bus and tramcar employees in the International Settlement went on strike and this spread to the French Concession. Later it was reported that other strikers included employees of the gas services, cotton mills, and the cleaning and engineering sections of the Municipal Council. The seriousness of the situation reached a peak on the 25th when two strike breaking tramcar drivers were shot dead, but on the 29th the strikers in the International Settlement were reported returning to work after receiving substantial pay increases.

It is not unreasonable to perceive the fine hand of the Japanese behind these strikes since some of the strike agitators were known to belong to "orthodox" labor unions controlled by Nanking. Nor is it unreasonable to believe that other strikes will occur in the future. The more a state of terrorism, lawlessness and unrest exists in Shanghai the more the Japanese feel they have the right to occupy the whole city by force and thus restore their idea of order.

3. The Central Government.

The regime of General Chiang Kai-shek received another blow when the Japanese occupied parts of Tonking during the last days of September. This move caused the Generalissimo to destroy the Laokay railroad bridge on the border between Yunnan and Indo-China and thus lose permanently the use of the Yunnan railroad as a supply route for munitions. The road had been previously closed by the French at the insistence of the Japanese, but until the actual occupation there was always the possibility of its being reopened.

Chinese troops are known to be on the Indo-China border but so far none have entered French territory. A Chungking report of September 30th stated that at the opportune time Chinese troops will march into Indo-China, but that at present the Chungking authorities are awaiting a clarification of the situation which is difficult to reach since the French authorities have changed their minds no less than four times. It is believed by the undersigned that the Chinese will not invade Indo-China but will certainly resist any Japanese attempt to march on Kunming.

A ray of hope came to Chungking when it was reported that the United States frowned upon the Japanese action, and also when reports appeared on the proposed oil and scrap metal embargoes. While it is only indirect, any event which will embitter US-Japanese relations is naturally looked upon as helpful to Chungking, and this and the recent United States loan have done much to bolster the morale of the Central Government. This effect will be equally enhanced if the British decide to reopen the Burma road, the term for the closure of which expires on October 18th.

4. Financial Condition of North China Railroads.

If the financial condition of the railroads is any indication, it would seem that prosperity in North China is still "just around the corner." Although the main lines, including the Paotow-Shanhaikuan, Peiping-Hankow (to the Yellow River), Tientsin-Pukow, Tsinan-Tsingtao, Kaifeng-Hsuchow and Shihmen-Taiyuan, have been

running regularly, except for occasional interruptions, the pay loads must be very light. This probably is caused by the free transportation of huge amounts of supplies for the army of occupation, which either indicates that the army is not able to subsist itself in China or that the military situation requires the continual transportation of munitions and materiel rather than machinery for commercial development. Some months ago an article appeared in a local Japanese paper which revealed that a deficit of many millions had been announced at the annual meeting of the railway Directors. This was explained by the necessity of purchasing new engines and rolling stock, but it was decided that the Directors would have to reconvene (probably in Tokyo) to discuss means of substantially increasing the 1940 budget.

As an indication of the present financial condition of the parent Peiping Company, some months ago this company negotiated with an American oil company for the purchase of some thirty thousand US dollars worth of grease and lubricating oils. The railroad company secured the necessary import permit from the Federal Reserve Bank and the American firm ordered and received the stock, which is now in storage in Tientsin. Since that time the agents of the railway company have not been able to secure enough Federal Reserve currency to purchase even a partial payment of US dollars through the link system, and have stated that they will not be able to do so till December or January. None of the American stocks have been released.

COMMENT: Since Federal Reserve currency is printed by the hundreds of millions and is not actually backed by stocks of Japanese silver (except on paper) it seems surprising that such a vital concern as the railroad company should be hampered in this way. It also seems amazing that Japanese governmental concerns too should become enmeshed in the Gordian coils of their own link system.

5. Expulsion of Japanese Residents.

On September 20th a report from Tientsin stated that five Japanese residents of that city, aged from twenty-one to forty-three, were deported (presumably to Japan) by the military police authorities because of activities concerned with smuggling and selling prohibited goods.

COMMENT: While this is only a drop in the bucket it is at least a start and indicates that the consular and military police are at last turning their attention to their own nationals. It is very difficult at present for a Japanese to secure a permit to enter North China from Japan, Korea, or Manchukuo, and according to the Peiping

Japanese Consular Police the undesirables are being weeded out and returned to Japan in increasing numbers. That there is still much weeding out to be done may be assumed from the publication of recent figures which showed that the increase of Japanese nationals in North China from July 1937 to July 1940 was from 40,000 to 302,00.

F. P. Munson
Captain, Field Artillery
Assistant Military Attache

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1ST. IND.

THE MILITARY ATTACHE, AMERICAN EMBASSY, PEKING, CHINA.

TO: A. C. OF S., G-2

1. APPROVED.

WILLIAM MAYER,
[illegible] FIELD ARTILLERY,
[illegible]

AMERICAN EMBASSY
OFFICE OF THE MILITARY ATTACHE
CHUNGKING, CHINA.

RECEIVED G/2 W. D. NOV 7 1940

OFFICE CHIEF OF STAFF
MILITARY INTEL. DIV.
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WAR DEPARTMENT

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September 24, 1940.

Subject: Comments on Current Events (Number Nine).

To: The Assistant Chief of Staff, G-2, War Department, Washington, D.C.

1. Situation in Indo-China.
2. Relations of the National Government and the Communists.
3. The Price of Rice.
4. Air Raids.
5. Defense of Yunnan Province.
6. Possible Chinese Operations in Indo-China.

1. Situation in Indo-China.

The "Off-again, on-again, gone-again, Finnegan" appearance of the recent negotiatons between the Japanese and the authorities of Indo-China presents a most interesting, and at the same time disturbing picture. Interesting because of the vitally important results which the negotiations will probably have upon the future course of events in the Far East, and disturbing because of the strange manner in which the negotiations have been conducted.

From here it is impossible to tell whether or not the Japanese Government has entrusted General Nishihara with plenipotentiary powers in the conduct of these negotiations or whether he has simply assumed them. As far as can be discerned, however, it would appear that he was probably originally given a fairly free hand and in addition he may have taken unto himself a good deal of authority which was not the original intention of his government that he should have. The picture is further complicated by the intrusion therein of General Tomonaga, of the Army General Staff in Tokyo, and of Colonel Sato of the South China Army. It looks very much as if these gentlemen had, to use a slang term, "muscled in" without the consent of the Japanese Foreign Office, but with the backing of the Japanese Army to look out for the interests of the Army in general and the South China command in particular.

The fact that General Nishihara presented an ultimatum to Admiral Decoux, Governor of Indo-China, on September 2nd and that this ultimatum was officially repudiated by Tokyo on September 3rd as having never been presented indicates either very poor coordination between the Japanese representatives and their government, or, what seems more likely, the assumption of more authority by these gentlemen than even an Army-ridden Japanese Foreign Office could stand for.

According to a very highly placed British official here, General Nishihara's action in presenting the ultimatum very nearly precipitated a cabinet crisis in Japan. No reports to this effect have, however, reached this Embassy from Tokyo.

As far as can be determined from conversations with responsible officials of the Ministry of Foreign Affairs and the Military Affairs Commission, the Chinese feel that

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there has been a good deal of "passing the buck" between the Vichy Government and the Governor of Indo-China as to the action to be taken in the face of the Japanese demands for naval and air bases and permission to send troops through Indo-China to attack China. These officials state, however, that when the Vichy Government agreed on September second to accept in principle the Japanese demands (incidentally the exact terms of the so-called "Tokyo-Vichy Agreement" have never been reported here) the French virtually surrendered and Admiral Decoux's hands were tied no matter how hard he might try to obtain the best terms possible.

The whole matter of the negotiations has been most complicated, and all the ins and outs of the business will probably never be known. The Chinese, however, have evidentaly felt since August 28th, which the Foreign Minister issued the statement that an invasion or entering of Indo-China by the Japanese would force the Chinese to send troops into that country for the difence of China, that no matter how much of a smoke screen might be put up by the French, in the end they would yield to Japanese demands, or at most put up a mere show of resistance.

Reports from the American Consul in Hanoi, whose detailed accounts of the negotiations and his carefully considred comments thereon have been most valuable and interesting, state that Generals Nishihara and Tomonaga and Colonel Sato have used tactics of the most offensive and bullying nature in order to intimidate Admiral Decoux into complying with their demands. These reports also indicate that Admiral Decoux has shown commendable courage, as was clearly shown when he called General Nishihara's bluff and refused the ultimatum, demands, or whatever it was, and caused Tokyo to lose face to the extent of denying that any ultimatum had been presented.

Whether the offensive methods of the Japanese negotiators have had the approval of Tokyo or not, it is a sad commentary on the state of government of a nation in which Army bullies have in their hands the responsibility for negotiations which in most civilized countries would be conducted through purely diplomatic channels.

During the past few days it has appeared that the tortuous course of the negotiations has finally reached a head, as all Japanese, officials and otherwise, were preparing to leave Hanoi and Haiphong on September 20th, and General Nishihara presented the Indo-China Government with a statement on September 21st to the effect that if the Japanese demands were not complied with, Japanese troops would enter the country on September 22nd.

This looksed as if the Japanese meant business and official circles here felt that an invasion or occupation of Indo-China was imminent. Jittery news sources even reported the landing of two divisions at Hanoi on September 19th, but these reports were of course incorrect. Most unexpectedly, however, Admiral Decoux appears to have refused the Japanese latest demands, for surprisingly enough General Nishihara withdrew the demands on September 21st and asked for a continuance of negotiations, while the plans for the evacuation of Japanese from Tonkin were cancelled.

It appears, however, that the Japanese have obtained some concessions, the full nature of which are not yet known. Thus the Japanese may be pursuing a policy of demanding and

withdrawing, risking loss of face for the sake of concessions gained each time demands are presented and taken back. If this is the case, the Japanese are playing a dangerous game, as their apparent inability or unwillingness to back up what are beginning to look more and more like bluffs may have possible bad effects upon Japanese plans for expansion southward.

There is also always the danger that a wishy-washy, dilly-dally policy in Indo-China may precipitate a revolt in the "mad-dog" element in the Japanese Army, in other words, among the fire-eating "young officer" group. In any event, the actions of the Japanese in Indo-China during the past few weeks have been most difficult to understand. Events in the very near future may prove otherwise, but at the present time Japan looks more like a weak power whose bluffs have been unexpectedly called than a great nation irrevocably committed to a definite course of action and with the forces avilable to carry out such course.

Chinese official circles have consistently maintained that the Japanese are not seriously concerned with the use of Indo-China as a base from which to attack Yunnan Province, as this can be done to better strategical advantage, so the Chinese state, from Kwangsi, and the Japanese are using the demand for military bases ~~were~~ ^ surely as a means of securing a hold on Indo-China which can be gradually, or rapidly if the opportunity presents, expanded to complete occupation. The Chinese have little or no hope that the Japanese will not succeed in this maneuver.

It is perfectly evident that the Chinese do not regard the apparently impedding occupation of Indo-China with as much misgiving as might be expected because they hope that the United States is prepared to back up her statements about the disfavor with which she would view changes in the status quo in the Far East brought about by other than peaceful means.

2. Relations of the National Government and the Communists.

On this subject the writer has little to add to his Radio No. 180. As far as can be determined, the questions not yet settled relate principally to money matters, mostly about subsidies for communist troops changing station under the recent agreement between the Communists and the National Government.

The question of the station of the New Fourth Army has not been settled. The National Government would like to have this force move north of the Yellow River, where the 18th Group Army (former 8th Route Army) is now located. The Communists, however, would like to have the New Fourth remain in Anhui, where they say it is in a position to harass the Japanese most effectively. It is also very likely that the Communists would like to keep this Army amidst the comparative plenty of Anhui rather than move it to poverty-stricken southern Hopei and eastern Shantung.

Indicate of improved relations between the National Government and the Communists is the fact that when Chow En-lai recently returned to Chungking from Yenan, he was conveyed here in one of the large passenger planes of the C.N.A.C. On the other hand, showing the distrust with which the National Government still regards the Communists, the under-

signed knows personally of a young Chinese girl who recently attempted to go to Yenan to enter the Communist university there. She was not allowed to go beyond Sian and returned to Chungking with the story that young Chinese who try to enter Red territory in order to affiliate with the Communists are stopped at the border and forbidden to proceed further upon pain of execution.

No attempt is made to deny in semi-official circles here that the recent improvement in relations between the National Government and the Communists has been brought about almost solely by the desire on the part of the former to please Russia. In the opinion of the undersigned this rapprochment is only temporary, as the Kuomintang cannot be expected to alter its dislike and distrust for the Communists for a long time, if ever. Temporary or not, however, this rapprochment has had a favorable effect upon the national power of resistance, evidenced by the recent activity of Communist forces in North China where they have seriously annoyed the Japanese by attacking lines of communication and even for a time ~~seized~~ the important Niangtze Pass on the Shihchiachuang-Taiyuan (Chengtai) Railway. The undersigned also hopes that the National Government and the Kuomintang, having been able even temporarily to compose some of their differences, will possibly not again revert to the state of histility which characterized their relations before the loss of the support of France and England forced China to seek every possible means of increasing the aid received from Russia.

3. The Price of Rice.

The concern of Chiang Kai-shek over the rise in the price of rice to the all-time high for Chungking of Yuan 33.00 per tou of twenty eight catties (a catty is one and one third pounds) was reported in radio Number 182. According to a reliable foreign source, the Generalissimo's draft proclamation to the people of Szechuan on this subject was much stronger than the form in which it was released to the public, but was toned down on the advice of persons who felt that too harsh a statement might defeat the purpose of inducing holders of rice stocks to release them for sale.

The local Municipal Government is making an effort to relieve the situation by establishing shops in which rice is sold at a reduced price. The undersigned has observed several of these shops in operation and considerable quantities of fair quality rice appear to be on sale, but the amount which can be purchased by one family in a day is limited and there is a good deal of formality to be gone through in the way of registration before buying. Reliable reports state the amount of rice available for sale in the regulated shops is far from enough to supply the demand.

Past experience has shown that attempts on the part of the authorities to regulate the price of important commodities usually operate to drive the commodity from the maaket rather than to lower the cost. An example of this was noted last winter when efforts to regulate the cost of beef caused it to disappear from the market for over two months, and when it again appeared for sale in any quanitity the price was higher than when the price lowering campaign was initiated.

Whether or not the Generalissimo will be able to control the vested interests ~~who~~ which are generally reported to be responsible for the hoarding which is causing the high price of rice remains to be seen. He has plainly stated that if those who hold rice stocks do not put them on the market they run the risk of having these stocks confiscated. To put such measures into effect, however, will require courage and careful consideration of the risks involved in Szechuan where the National Government has never, even in the present war, been overly popular. If anyone can bring down the price of rice, the writer believes it will be Chiang Kai-shek, but even for him it will be a most difficult task.

Not much has been heard about the rice situation for a couple of weeks and the undersigned believes that even though the price continues to rise, no serious consequences will result. There may possibly be some rice riots and some godowns looted or burned, but in the end things will probably go on much as before, with the people bearing the brunt of the situation and not able to do much more than grumble.

It is at least pleasing to note that the Generalissimo has reacted quickly to the injustice of a situation in which, in spite of good harvests, the price of the main food of the people is forced up by speculators who apparently care nothing for the dictates of either humanity or patriotism. But every country has war profiteers and no country more so than China. If Chiang Kai-shek can control these profiteers even to some extent, he will have achieved a remarkable feat.

4. Air Raids.

Fortunately for Chungking, the Japanese displayed unusualy stupidity in air attackt actics last month. After the disastrous raids of August 19th and 20th in which by the use of incendiary bombs a large party of the city was destroyed, had they continued to attack in force with incendiary bombs, they could easily have laid waste at least half the city. Strangely enough, however, the Japanese did not return for some days after these heavy raids, and this gave the people a breathing spell in which to recover. Rainy weather also helped to keep the Japanese away.

Recently the Japanese have changed their former tactics of attacking the city with large numbers, sometimes as many as one hundred in a day, of heavy bombers, to attacks with light bombers carrying one or two heavy bombs which are released in power dives over isolated objectives. Thus far the new tactics have proved ineffective and little damage has been done to military objectives. It now seems probable, with almost continous foggy weather due very soon, that not much more serious damage will be done to Chungking before next spring.

It has been officially announced that no attempt will be made to rebuild the destroyed parts of the city on any extensive scale until after the war is over. Already, however, the bricks of the destroyed buildings are being used to erect small shops and houses with tile or thatched roofs. The number of these small structures springing up every day is remarkable, and by the end of the year it is expected that the streets of the bombed and burned areas will be lined with them. These structures can be easily removed if and when a planned program of extensive rebuilding is ever undertaken.

Living conditions in Chungking will probably be bad this winter as there has been little if any reduction in the propulation while the number of houses has been greatly reduced. Thus overcrowding, bad in Chungking since the capital was moved here, will grow worse and many deaths will probably result from unfavorable sanitary conditions. But no matter how many people die, the effects will probably be hard to discern, for, as noted before, as long as there is money to be made in Chungking, people will stay here and neither bombings, pestilence, poor housing conditions, nor high prices can keep them away.

5. Defense of Yunnan Province.

Inasmuch as the Japanese are basing their demands for concessions in Indo-China on an alleged desire to use that country as a base from which to attack China and thus wind up the China Incident, the question arises as to what measures, if any, have been taken for the defense of Yunnan.

Ho Ying-chin, Chief of the General Staff, was in Kunming last month supposedly consulting with the Governor of Yunnan, General Lung Yun, on the question of the defence of the province. While in Yunnan General Ho inspected the border and according to reports from official sources went thoroughly into the matter of defence. Whether he actually accomplished anything or not is not known. Reports from reliable sources state that tangible results attained were few, particularly in the vitally important matter of sending National Government troops in Yunnan. Yunnanese provincial troops are of course nominally under the command of Chiang Kai-shek, but due to the special conditions prevailing in the province they are generally considered more under the control of Lung Yun than of the Generalissimo. Reports state that when the matter of sending National Government forces into Yunnan was broached with Lung Yun, he suggested that some of his forces now serving at the front be returned for the defence of their native province, a suggestion which does not appear unreasonable.

The Chief of Staff of the Eighteenth Group Army (former Eighth Route Army) informed the undersigned some weeks ago that there is not a single National Government soldier in Yunnan. Assuming that this report was correct, if any national troops have since entered the province, it has not been reported.

Insofar as is definitely known, the most that has been done for the defence of Yunnan has been to blow up one bridge at Laokai, on the Yunnan-Indo-China border, and to make preparations to destroy completely seventy kilometers of railway inside Chinese territory. Captain McQuillen, Assistant Naval Attache, who was recently in Kunming, reports that the bridge was blown up on the orders of the Generalissimo, against the wishes of Lung Yun.

It may have been that the Generalissimo in ordering the bridge at Laokai blown up was partly motivated by a desire to make it difficult for Lung Yun to sell out to the Japanese. There are, however, no indications that Lung Yun has any such intentions. Yunnanese troops, moreover, have a good reputation and there is no reason to suppose that with their governor loyal to Chiang Kai-shek they will not put up a good fight in the defense of their home province.

It seems probable that if the Japanese attack Yunnan it will be by moving troops northwest from Poseh, Kwangsi, rather than from Indo-China. There is a road, although a bad one, leading from Poseh into Yunnan, and it generally agreed that this is the most feasible route for the Japanese to follow. Russian official sources, which should be well informed, state that the Chinese have a very large number of troops under Chang Fa-kuei, Commanding the newly-formed Fourth War Zone (formerly comprising Kwangtung and Kwangsi, but now only the latter), in position to resist an advance from Poseh. Chang Fa-kuei, ~~formerly~~ famed as the leader of the ~~famous~~ Kwangsi "Ironsides," has a good reputation as a fighter.

Summing up, although preparations for the defense of Yunnan appear somewhat sketchy, particularly if no Central Government troops have been sent into the province, there is every reason to believe that the Japanese will not have an easy time invading it, and it would not be surprising if Japanese operations for a time were ~~not~~ confined to bombing Kunming and other important points from air bases to be acquired in Indo-China.

6. Possible Chinese Operations in Indo-China.

Now that the entry of French troops into Indo-China appears imminent, attention is focused upon what measures the Chinese will take to back up their declration that such entry, with or without French consent, will be followed by despatch of Chinese forces to Indo-China in order to defend China.

Thus far the Chinese have shrouded their preparations, if any, for operations in Indo-China with the greatest secrecy. General reports state that large numbers of Chinese forces have been moved to the Indo-China border, presumably in parts of Kwangsi not occupied by the Japanese. From what little the undersigned has been able to find out, it looks as if the preparations for operations in Indo-China, like those for the defense of Chinese territory against a possible Japanese attack from Indo-China, have been left largely to Chang Fa-kuei.

Foreign observers are generally of the opinion that the most which can be expected of the Chinese in the way of operations in Indo-China would be for them to take up a strong position in readiness along the border in the areas suitable for such a move. The taking up of such a position would very likely involve some advances into Indo-Chinese territory. That the Chinese, however, have any intentions of sending large forces far into Indo-China to run the risk of decisive dfeat in unfamiliar territory, seems unlikely, and, in the opinion of qualified observers, would be an unwise move.

Chinese official sources express the opinion that even if the French permit Japanese troops to enter Indo-China, the former will not resist by armed force the entry of Chinese troops for the purpose of defending Chinese territory.

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Enclosures

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RECEIVED G/2 W. D. NOV 28 1940

MILITARY INTELLIGENCE DIVISION

WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA

Country Reported On

Subject COMMENTS ON CURRENT EVENTS **I.G. No.**

Brief Descriptive Title

Source and Degree of Reliability:

Comments on Press

Summarization of Report
When Required

1. Attitude Toward the United States
2. Arrival of German Nationals
3. The Nanking Regime
4. Evacuation of Americans from China and Japan

In Comments on Current Events Enter Item Headings Here

1. Attitude Toward the United States.

If the editorial comment in the puppet news organs of the occupied areas may be taken as an indication of Japanese feeling toward the United States, the period under review has seen the pendulum swing through its entire arc. Early in October, after the signing of the Tri-Party Pact, anti-American articles appeared in force. America was depicted as a grasping, bombastic nation which had decreed its own Monroe Doctrine and now was meddling in spheres entirely outside its normal jurisdiction. As a tool of Great Britain, America was helping the former to prolong the European war and by aiding the Chungking Government was attempting to destroy the brotherhood of Sino-Japanese unity. It was also revealed by the puppet press that America had forced the signing of the Tri-Party Pact by suddenly deciding to rearm when this was entirely unnecessary due to its geographical location. Last of all it was reported that America was only possibly as strong as one of the three signatory powers but no match for the combination, and that the American fighting forces were satiated with luxury and did not have the will to die fighting. (One senses the arrogance of the Samurai code in this last attack.)

When the first rumors of the impending evacuation of American nationals from China and Japan appeared, the anti-American oracles in the press became strangely silent. Japanese Embassy and other officials were actually worried for the first time and seemed anxious to discover the cause for the evacuation. They

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From M. A. China Report No. 9944 Date October 31, 1940
This line to appear on all succeeding pages

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felt hurt that they had not been informed beforehand and the press considered the move an expression of lack of faith if not a downright unfriendly act. Anti-American articles practically disappeared and on the 29th of October an article appeared in the local Chen Pao which—though it may have been a Japanese trial balloon—swung entirely over to the other side. In brief the article stated that the signing of the Tri-Party Pact by Japan was all a mistake. Japan had signed an agreement with Britain in 1902 and what had she gained from this except the dubious honor of safeguarding the interests of Britain in Asia for thirty odd years? What has she gotten from Germany and Italy except possibly concessions in Indo-China which she could have taken without any help? The pact had been in effect for a month and what had Germany and Italy done for Japan, whose real need was to settle the China conflict? The article continued that Germany wanted the use of the Japanese fleet as a threat to America and that the signing of the pact might eventually result in a war between the United States and Japan, and if this happened what help could the latter expect from the other two signatories? Nothing, the article decided, since Germany had underestimated British resistance and was now involved in a lengthy war of exhaustion. The article concluded that if Germany and Italy were real friends they would endeavor to ameliorate relations between Japan and the Soviet, and that in any event Japan and China were the only two real friends in Asia and could get along together without alliances with any occidental power.

COMMENT: This rather complete change of attitude is not surprising nor is it necessarily an indication of future better relations, since we have seen in the past how quickly expressions of Japanese feeling as reflected in the Chinese press can change. There is no doubt that the Japanese were alarmed at the stiffening attitude of the State Department, but as this goes to press the tension has eased considerably and unless the Department continues its firm stand the possible results of the evacuation will gradually be forgotten and Japan will continue with her divine mission in Asia. The undersigned believes that if, with the help of Germany and Italy, a non-aggression pact can be signed with the Soviet, Japan will continue her southward expansion even to the point of straining relations between herself and the United States.

2. Arrival of German Nationals.

During the past two months an increasing number of young Aryan Germans have arrived in Peiping via Siberia. These young men remain here for a while and then depart, some for south and central China and some for Japan and South America. A reliable source stated that their passports have them registered as "students," "economists" and "engineers." The undersigned has seen one or two

groups of these young men arrive from Mukden at the Peiping station. They wear civilian clothes, most of them carry rucksacks and appear to have very little portable luggage. Furthermore, they seem to experience no delay at the registration desk at the station exit and the White Russian inspectors, after a casual glance at their passports to determine their nationality, allow them to leave without filling out the long registration form which all other foreigners must prepare.

COMMENT: The actual mission and ultimate destination of these young men are not known but there have been many rumors. They are generally believed to belong to the German military establishment, and many are thought to be in the air service, either as pilots, mechanics or technical experts. It has also been rumored that they are prepared to fly for Japan in the event of an attack against Hongkong or Singapore, and that they are advising and aiding aeroplane production in Japan.

3. The Nanking Regime.

Nothing important has been forthcoming from the Wang Ching-wei government during the last month. The Japanese Ambassador, General Abe, returned to Tokyo to "report" after a trip to North China and this was looked upon as the last act before formal recognition of the new government by the Japanese. The attitude of the Japanese press with reference to recognition has become lethargic. The Japanese people have been told for so long that formal recognition of the Nanking Government would mean the end of Sino-Japanese hostilities, and said recognition has been postponed so many times that the Japanese are settling down for a long wait. On October 15th the influential Asahi Shimbun wearily narrated that recognition of Wang Ching-wei was the only problem which has remained unsettled in all successive governments since the resignation of the first Konoye Cabinet in May, 1939.

The Nanking Government, however, has been busy exchanging blows for Japan. The final settlement of the bus and tramcar strike in the French Concession in Shanghai on October 23rd was an example. The French authorities had to give in to all the demands of the strikers and were convinced that the strike was brought about and prolonged by affiliates of Nanking "labor unions" who acted as "goon squads" and agitators. On the other side of the ledger, two attempts were made to bomb pro-Wang Ching-wei papers in Shanghai, one causing several casualties and the other proving abortive.

The ever existent danger to the lives of Nanking puppets was emphatically demonstrated on October 11th when the Mayor of Greater Shanghai was murdered in his bed. He was apparently a rather able man who had been a

political refugee in Dairen and had been working for the Japanese for several years. It was believed that he had been assassinated by one of his servants since his house was heavily guarded by Japanese and Chinese police, but the suspect has not yet been positively identified.

COMMENT: Delay in recognition of the New Nanking regime may possibly come from Japanese realization that such recognition will, in all probability, not result in the cessation of Sino-Japanese hostilities.

4. Evacuation of Americans from China and Japan.

As stated above, Japanese official circles in North China were considerably perturbed when the first evacuation circulars from the Embassy and Consulates appeared. Americans in general welcomed the directive as an indication that the State Department was at last taking a positive stand. Business men in Tientsin and Shanghai, whose occupations had been gradually throttled by Japanese financial, import and export restrictions, prepared to sell out, pack up, and evacuate. It was reported in the local press that there were 7,000 American nationals in China, 1,500 in Hongkong, 130 in Indo-China, and 8,100 in Japan. On October 25th it was reported (Transocean) that the United States Marines were leaving also, this probably being confused with the evacuation of their dependents.

After the announcement of the dates of arrival of the refugee ships the first protests from the evacuees were heard. It seemed that the fares had been raised from the normal US $300.00 to over $400.00, and the disappointment of many Americans was not concealed. While the larger firms such as Standard Vacuum, Texaco, and the National City Bank could easily stand this, many individuals, including missionaries, explained that they were paid in local currency and that the expense involved in moving their families was so great that they had no intention of evacuating. As this is being written the steamship companies have booked a few thousand passengers, but unless conditions are made more favorable it is very probable that not more than half of the American nationals will evacuate.

COMMENT: As in all evacuations, there are several types of personalities to consider. There are those who would go if given a practically free trip, and those who are waiting to see if others are going. Then there are the "martyrs" who declare that they will stay to the bitter end, come what may. It has even gone so far that at one joint meeting of several missions in Peiping a member of a certain sect was heard to say: "The such and such a sect are evacuating but we are not cowards and will stay just to show them." Thus the difficulties of the consular agencies are understandable. From an international viewpoint, the

firm stand taken by the State Department would be considerably weakened and even ridiculed if the evacuation becomes a farce, and the Japanese would have the right to believe that the United States is still bluffing.

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THE MILITARY ATTACHE, AMERICAN EMBASSY,
PEKING, CHINA.

TO: A. C. OF S., G-2

1. APPROVED.

WILLIAM MAYER,
Lt.Col., FIELD ARTILLERY,
MILITARY ATTACHE.

AMERICAN EMBASSY
OFFICE OF THE MILITARY ATTACHE
CHUNGKING, CHINA.

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November 3, 1940.

Subject: Comments on Current Events (Number Ten).

To: The A.C. of S., G-2, War Department, Washington, D.C.

2055

1. The Japanese Occupation of Indo-China.
2. Relations of the National Government and the Chinese Communists.
3. The Economic Situation in China.
4. The Chinese Air Force.
5. The Opening of the Burma Road.
6. Postponment of the Peoples' Congress.
7. The German-Italian-Japanese Pact Against the United States.
8. Resumption of the Military Offensive.
9. The General Situation.

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1. The Japanese Occupation of the Indo-China.

The Japanese occupation of part of Indo-China, which gives them virtual control of the port of Haiphong, the important city of Hanoi, the railway from Haiphong to the border of China, and the right to use several air bases in Tongkin province has created little stir here. As previously reported, at no time since the Japanese began to apply pressure on the government of Indo-China have the Chinese entertained any appreciable hope that the French would be able to resist the Japanese demands, and accordingly the final yielding of the French came as no shock.

Apparently uppermost in the minds of Chinese leaders since the Japanese designs on Indo-China became ~~apparent~~ known has been the thought that an occupation of the country would arouse a strong reaction on the part of the United States which would be to the advantage of China. Hence when the Japanese began to move troops into Indo-China late in September, which action was followed shortly by the announcement of a complete embargo by the United States on the exportation of scrap iron, the reaction here was one of generally unaffected pleasure. Many Chinese apparently jumped to the conclusion that the United States had at last been definitely aligned with China as an ally and the outbreak of war between the United States and Japan was a matter of only a short time.

It was of course difficult for the Chinese to understand why the United States did not put the scrap iron embargo into effect at once rather than continue to sell war material to an almost certain enemy, but in the general pleasure over having the United States as an ally, this slight fly in the ointment was little noted.

Chinese morale at the present time is apparently high, and the principal cause of anxiety seems to be a fear that a back-down, or partial back-down, on the part of Japan may appease the United States enough to permit Japanese to continue her program of southward expansion at a slower pace. In other words, the Chinese fear that a "nibbling policy" may enable Japan to attain her ends by avoiding war with the United States. The Chinese generally take the attitude that only the most determined show of force, or actual war, can frustrate Japanese plans for the complete occupation of Indo-China and the Dutch East Indies.

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Recent pronouncements of the President and other leaders in the United States have aroused hope in China that the United States has at last come to the realization that unless she is willing to fight for her rights in the Far East, she will probably have to withdraw completely from that part of the World.

The reports of an American newspaper man of excellent reputation for accuracy who was in Indo-China at the time of the fighting between the French-Annamite forces and the Japanese in the Langson area paint a dismal picture of the character of the French resistance. According to this observer, there had been so much vaccilation and indecision as to whether or not the Japanese entry into Indo-China should be resisted that when the invasion finally came there was no clear idea among the defending forces as to just what they were supposed to do.

Actually, so reports this source, a series of conflicting orders had been issued so that some units thought they were supposed to fight while others supposed they were not to resist and things generally were in a bad muddle. The Japanese were allowed to approach very close to the French-Annamite defensive positions before fire was opened, thus placing the defenders at a disadvantage. Some isolated French units, however, fought well, and even some of the Annamite troops, under French officers, behaved creditably. Most of the Annamites, however, were so terrified by the savage appearance of the bearded Japanese and the blood-curdling yells with which they launched their attack that they fled into the jungle. Taking it all in all, it appears that the French side put up a very poor show, as might have been expected in view of the low state of the French morale.

At the present writing the situation in Indo-China appears to have stabilized for the time being. The number of Japanese troops which have entered the country does not appear to be as large as was originally reported by the Chinese. Furthermore, reliable reports state that some Japanese troops are now withdrawing from Indo-China to Hainan Island. These troops are reported to be parts of the 5th Division which entered Indo-China from Kwangsi. Thus it seems that the Japanese are following their familiar policy of taking things easy for a time after having made a decisive step, the while awaiting a favorable opportunity for the next step which many think will be the occupation of the remainder of Indo-China.

Well informed Chinese seem to have little doubt that Japan will sooner or later take the whole of Indo-China, if it is not presented to her by Germany if the latter concludes a separate peace with France. Not only do the Chinese believe this, but also they are doing their best to impress the world in general and the United States in particular with the danger to the interests of democratic countries involved in the Japanese threat to Indo-China.

If the Chinese have any intention of sending troops into Indo-China to combat the Japanese occupation of that country, no evidences to this effect are now discernible. It is generally assumed in informed quarters that if the Chinese really intended to despatch forces into Indo-China, these plans have been abandoned. Reports from official quarters state that the Government of Indo-China informed the Chinese government that the entry of Chinese troops would be resisted by force of arms. Hence it seems likely that the Chinese decided it would hardly be worth while to fight both the Japanese and the French in Indo-China. As far as the writer is concerned, it would appear that the Chinese are wise in not

sending troops out of the country to engage in operations in an area where the chances of success would be small and the risks of defeat great.

2. Relations of the National Government and the Chinese Communists.

As the writer has previously opined it seems unlikely that relations between the National Government and the Communists can ever be very good because of the inherit hostility which exists on both sides. Following the recent settlement between the two factions, things were fairly quiet for a time until about a month ago when another armed clash occurred between forces controlled by the National Government and Communist troops. This was in Anhui and the fighting is reported to have taken place when Anhui Provincial troops attacked units of the New Fourth Army while the latter were crossing the Yangtze River in the course of a routine operation. Detailed reports as to the extent and duration of the fight are lacking, but according to information from both sides, the affair has been patched up, on the surface at least, and relations are reasonably good once more.

The matter of the transfer of the New Fourth Army to north of the Yellow River has not been settled, the principal point at issue, as previously reported, being the question of the amount of money the National Government will allow for expenses incident to the change of station, and also probably for compensation for leaving the comparatively prosperous Anhui for the poverty stricken areas of Hopei and northern Honan.

The longer the writer considers the relations between the National Government and the Communists, the more he is convinced of the difficulty, if not impossibility, of securing a true picture of the actual conditions which enter into the situation. The reports of conservative, pro-Kuomintang official sources must be heavily discounted, while on the other hand the accounts of pro-Communist persons who have lived long and travelled extensively in areas controlled by the Communists must also be taken with reserve.

The question of the relations between the Communist armies and the local population is an example of this difficulty in getting a true picture of the situation. Reports on this very important question differ greatly. According to high government officials here in Chungking, the local population in communist-controlled areas in Anhui do not like the New Fourth Route Army and would be glad to see them move north. Miss Agnes Smedley, however, who though admittedly pro-Communist stoutly maintains she is not blind to their shortcomings, states that the New Fourth Army treats the common people far better than any Kuomintang-controlled hsien officials ever did. The actual truth lies somewhere between these two stories and is very difficult to obtain, for it is the observation of the writer that even a fairminded observer who comes in direct contact with the Communists often falls under a sort of spell which makes him prone to exaggerate their good points and minimize their shortcomings.

A very high official of the British Embassy here states that the Generalissimo recently told him that he (the Generalissimo) was having a hard time resisting the opposition of the Communists who were seizing the present difficult economic situation to influence the people against the National Government. The writer does not doubt that this is the case, but he is of the opinion that the seriousness of the situation has

been exaggerated by persons close to the Generalissimo who hate and fear the Communists. From all that he has been able to learn, the writer believes that the Gemeralissimo sincerely desires to deal fairly with the Communists, but that he has a hard time in so doing because most of the reports which he receives about them come from Kuomintang officials whose attitude is not as fair as his and who will use any means whatsoever to work to the disadvantage of the Communists.

Reports from unbiased foreign sources working with the Chinese Industrial Cooperatives in Sian report that Kuomintang hostility to the Communists in that area is apparently increasing. The same source reports, however, that youths with leftist leanings who are caught trying to enter Communist-controlled areas in Shensi and are placed in concentration camps are not mistreated. These youths are simply kept in the camps under strict but not unduly severe discipline until they can convince the authorities of their loyalty to the National Government and the Kuomintang.

The writer still feels that the best estimate of the present importance of the Communists in China was made in 1938 by Colonel (now Brigadier General) Stilwell, who was then M.A. to China. It was Colonel Stilwell's opinion that the Communists, no matter how good or bad they may be, are too few in number to be a decisive factor in either the military or political situation in China.

The Generalissimo, apparently, is being deliberately misled by his advisers on this point, and in the opinion of the writer this is a grave factor in the present situation. An exaggerated fear of the Communists might conceivably influence the Generalissimo to attempt a radical reorganization of the government to appease the Communists and obtain more help from Russia, or, although this seems very unlikely now, even lead him to make some kind of a peace with the puppets of Japan.

3. <u>The Economic Situation</u>.

If reports from the highest quarters in China are to be believed, the economic situation in free China is very bad. This is not apparent in Chungking where the many shops being hastily slapped together amid the ruins of the city are doing a roaring trade in high priced goods even before the roofs are on. A careful consideration of essential factors in the situation, however, presents anything but an encouraging picture.

In Chengtu, where trained economists in the mission universities are making careful compilations of indices of living costs, the cost of living, as compared with the period just before the war broke out, has risen about seven times. To balance this situation wages have risen to a certain extent, but only in a few instances ~~to an extent~~ do increased wages offset living costs. The plight of the ordinary government official or clerk, whose pay has risen little since the war, can easily be imagined. Economic conditions generally are about the same in Chungking as in Chengtu, with living a little easier in the latter place.

It is difficult to understand how Chungking shopkeepers continue to sell their goods and the fact that they do so certainly cannot be taken to indicate a condition of general prosperity. It is evident that a man making between two and three hundred dollars a month, as do most minor officials and clerks, must have a hard time making ends meat when an ordinary pair of shoes costs over one hundred dollars,

a suit of clothes between two and three hundred, and a small bare room rents for from one hundred dollars a month up. Houses can scarcely be rented at any price.

The price of rice continues to rise slowly but steadily. The Chinese estimate that an average person eats a tou of rice, which now costs over thirty dollars, per month, so if a man has five mouths to feed his minimum living costs for food alone can easily be calculated. In the cases of skilled laborers in the buildings trades, and certain unskilled laborers such as rickshaw pullers and cargo carriers, for all of which workers there is now a heavy demand, the recent increase in their earning capacity makes it possible for them to carry on, but in the cases of many other classes of labor, such as house servants, servants in government offices, and so on, the difficulty of maintaining themselves and their families is apparent.

The Generalissimo recently told a high British official here that he could fight his enemies in the field very well, but his invisible enemies, of which the economic situation was one of the worst, were becoming increasingly hard to resist.

The Chinese currency, bolstered by reports of a coming large loan from the United States, holds up well. It may be expected to maintain its present level of around US$.06 as long as there is hope of assistance from the United States, and it may even rise a little. The general opinion in informed financial circles is, however, that it cannot be expected to appreciate very much no matter how much economic support is received from America. If the United States were to declare war against Japan, however, the currency might be expected to take a decided rise.

4. The Chinese Air Force.

The Chinese Air force at the present time is virtually non-existent. A foreign instructor in the Central Air School at Chengtu recently told the undersigned that at most there are not over thirty combat planes in all of free China. The final blow to the Air Force was the recent appearance of a new Japanese pursuit plane. This is a single-engined, low-winged monoplane, fast, and with good maneuverability against which the Russian E-16's, which constitute the bulk of China's good pursuits, could not compete.

China has an unfilled order with Russia for a large number of pursuits, which Russia wishes to fill with E-16's. When the Chinese realized that these planes were unable to cope with the new Japanese pursuit, they refused to take any more and the Russians thus far have been unwilling, or unable, to supply planes any better than the E-16. Consequently, Russian volunteer fliers in China have no planes in which to fly and have almost all returned to Russia.

During the most recent air raids, no Chinese planes have appeared, much less engaged the attackers. Chiang Kai-shek recently told a very high British official here that the non-appearance of Chinese planes during air raids had a bad effect upon the morale of the people, but that there was nothing the Chinese air force could do at the present time to combat the Japanese.

The Chinese at the present time are anxious to obtain airplanes from the U.S. Opinion seems to be divided, however, as to whether these planes should be flown by American pilots or not. A high Chinese military official in Chengtu recently told the undersigned that while the Chinese would

naturally welcome the aid of United States Army fliers, they would rather have the planes alone, for with these they could have the pleasure of defeating the Japanese unaided.

It appears to be the consensus of opinion among foreign observers here that due to the difficulty with which the Chinese could maintain an air force, it would do little good for the United States to supply even a considerable number of planes at the present time. Chiang Kai-shek recently told an American adviser to the Chinese Air Force that in the event of war with Japan, the United States should station a strong air force in Free China, as this would immobilize practically the entire Japanese Air Force. The main objection to the stationing of such a force in the area suggested would be the difficulty of supply.

General Chow, Chief of the Chinese Air Force, recently told the writer that if the United States should supply China with two hundred pursuits and two hundred bombers it would require thirty million gallons of gasoline to maintain this number of planes in combat for one year. The difficulty of shipping in six million units of gasoline over the two remaining supply routes is obvious. Thus it would appear that for either the Chinese or the Americans to maintain an efficient air force, it will first be necessary to open a port on the China coast through which gasoline and other supplies can be readily shipped into the interior.

The record of the Chinese Air Force has unfortunately shown that planes turned over to it are very likely to be quickly destroyed, either through inefficient handling in the air or through faulty maintenance. In the present situation there is added the danger that the planes may be immobilized for lack of gasoline. In view of the considerations outlined above, it is obvious that the question of how to remedy China's present woeful deficiency in air strength is a very difficult one.

5. <u>The Opening of the Burma Road</u>.

The opening of the Burma Road in the middle of October was hailed with delight by the Chinese, not only because of its importance as a munitions route, but also because it was generally felt that Great Britain would not have opened the road had she not received assurance from the United States of aid in the event that the Japanese, in retaliation, should attack British possessions in the Far East.

The Japanese promptly attacked the road with aviation but reports as to the amount of damage done are conflicting. The Chinese admit some damage to the vitally important Mekong and Salween River bridges, but nevertheless it is known that supplies are moving over the road with fair regularity. The Chinese claim they can keep the road open even if these two bridges are destroyed, by the use of pontoons or ferries.

Thus far it has not been possible to obtain a reliable estimate of the tonnage which can be transported over the road, especially if ferrying most be resorted to. From what the writer knows of the road from having made a trip over it, and from the estimates of well informed persons, it appears that the Chinese will be doing extraordinarly well if they can manage to bring an average of ten thousand tons a month. This is less by almost half than the amount which could be shipped in by rail before the Japanese occupied Indo-China, and is generally believed not to be enough to enable the Chinese to carry on extensive offensive operations. On the other hand, observers agree that it should

be enough to maintain their present degree of military activity, which seems to be sufficient to keep about one million Japanese troops bogged down in China, for a long time.

6. Postponment of the People's Congress.

The cancelling of plans to convene the People's Congress and adopt a constitution in November created little stir here. An announcement that the Generalissimo had ordered a building to be prepared in which to hold the Congress in the near future, but certainly not sooner than next year, was generally taken as camouflage.

The Chinese people seem to feel that the Congress, if convened, would probably be completely dominated by the Kuomintang, and the net results, as far as the adoption of a more democratic form of government are concerned, would be inconsiderable for the time being at least.

At the present time, with China's fate so closely linked with such issues as the outcome of the war in Europe, Japan's plans for southward expansion, the recently concluded pact against the United States, the coming election in the United States, the part America will play in the Far East in the immediate future, and other questions of vital importance for China, the postponment of the People's Congress means little. It might be considered a matter of great importance in time of peace, but with China fighting for her national existence, it cannot be expected to loom very large just now.

7. The German-Italian-Japanese Pact against the United States.

The news of the signing of this pact was the best the Chinese had heard in a long, long time. Most Chinese immediately jumped to the conclusion that the United States and China had automatically become allies against Japan and war between the United States and Japan, in which Japan must inevitably be defeated, was a matter of only a short time. The only fly in the ointment, as noted above, was the fear that the Japanese might back down and appease the United States enough to prevent her from taking the steps necessary to prevent Japan from obtaining her ambitions in the Far East by a "nibbling" process.

Very few Chinese, even though well informed in other respects concerning our country, seem to understand that the matter of declaring war is one entirely in the hands of Congress, or in other words, of the people themselves. Thus the news of the new pact aroused hopes that the President of the United States would immediately take the strongest sort of measures to head off Japanese moves against Indo-China or the Dutch East Indies. If further acts on the part of Japan along the line of southward expansion do not bring an immediate reaction in the United States, the disappointment of the Chinese will be great indeed.

8. Resumption of the Military Offensive.

Reliable sources close to the Chinese high command state that Chinese military leaders are confident that they have plenty of men and sufficient munitions to assume the offensive, with reasonable chances of success, in the Hankow and Canton areas. The sources state, however, that such offensives would be too great a drain upon the munitions resources of the Chinese Army unless large addition supplies could be secured from the United States.

The writer attaches little importance to this report, except as an indication of the eagerness with which the Chinese are now seeking to use every possible means of enlisting the active support of the United States.

9. The General Situation.

Generally speaking, the writer has not noted any particularly discouraging aspects in the present situation in China. The morale of the people, bolstered by recent events which have lead to a steadily stiffening attitude on the part of the United States, the opening of the Burma Road, and the reports during the past few days of the evacuation of Japanese troops from Kwangsi Province, appears better than for some time past.

It was with surprise, therefore, that the writer heard a few days ago from a very high British official that in a recent interview with the Generalissimo he found him for the first time visibly worried and lacking in the calmness which has hitherto characterized his outlook on the situation. The official in question is one who is pro-Chinese and has constantly asseverated his faith in an ultimate Chinese victory, hence his report is not believed to have originated from discouragement on his own part.

According to this source, the Generalissimo stated that there were three enemies against which he was having a very hard time to fight; the Japanese air force, the economic situation, and the machinations of the Communists, all of which have been commented on in this report. The Generalissimo further stated, according to this source, that the present high state of morale among the people was on the surface only, and that in reality they were beginning to be disheartened by the fearful difficulties of maintaing the uneuqual struggle against Japanese aggression.

The news that the Generalissimo appears and admits to being discouraged is decidedly disquieting. The writer feels, however, that it is entirely conceivable that Chiang Kai-shek may be purposely playing up the dark side of things in the hope of spurring the United States and England to grant increased aid to China.

David D. Barrett
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Copy to Military Attache, American Embassy, Peiping.

AMERICAN EMBASSY
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OFFICE CHIEF OF STAFF
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WAR DEPARTMENT

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Subject: Comments on Current Events (Number 11). 1-1

To: The A.C. of S., G-2, War Department, Washington, D.C.

2055-

1. Treaty between the Nanking Puppets and Japan.
2. United States Credit to China.
3. Relations between the National Government and the Chinese Communists.
4. The Price of Rice.
5. Appointment of Chang Chun as Chairman of Szechuan Province.
6. Military Operations in Hupeh.
7. Corruption and Usury Outlawed.
8. Communications.

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1. Treaty between the Nanking Puppets and Japan.

The signing of the treaty between Japan and Wang Ching-wei's puppet Nanking Government on November 30th brought forth a strong and well considered statement from Generalissimo Chiang Kai-shek on December second. In this he condemned the treaty as "a mere scrap of worthless paper, to which not the slightest attention is due, unless it be as an episode of some importance in the history of estrangement between China and Japan." He further declared that the "recognition" of the Nanking Government amounted to nothing more than an avowal of "certain evil things already known to all; the secret pact between Wang Ching-wei and the Japanese Army which was exposed last January by Tao Hsi-sheng, erstwhile follower of Wang's; and the establishment of the "Nanking Government" by by Tokyo in April of this year through the agency of General Nobuyuke Abe.

Premier Konoye's only motive in signing this treaty with the Nanking puppets, stated the Generalissimo, was to deceive the Chinese and Japanese peoples and thus bring about a solution of the Sino-Japanese war. "His sneaking self-deception and attempt to deceive us and others was an affront to both the Chinese and his own people. Far from bringing an end to the war, this action will lengthen it and deepen the hatred between the two countries."

The Generalsimmo blamed Konoye, as a tool of the Japanese militarists, for beginning the war at the time of his first cabinet, when he committed himself and his country to the anti-Comintern Pact and the declaration of the "New Order in East Asia." Konoye's claim that the Chinese had refused peace terms, stated the Generalissimo, was simply to deceive the Japanese people, as the National Government had heard nothing of any such terms.

In conclusion the Generalissimo said that the signing of the so-called treaty was a clear indication of Japan's military and political defeat and a final revelation of the depths of the baseness of Konoye's aggresive designs, which, far from damaging the Chinese cause, would prove a stimulus to the army and the people in their efforts at resistance and reconstruction .

The entire statement was well expressed and free from ranting or "pep talk." It was a dignified pronouncement, worthy of the head of a great nation.

There was no attempt made here to conceal from the

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public the reports of the signing of the treaty. The tone of the press was generally free from meaningless fulminations, and although the bitterest hatred was expressed for Wang Ching-wei. From every indication, the latter has secured himself a place in history as the most despised Chinese traitor which the nation has ever produced.

The full text of the treaty between Japan and the puppet Nanking Government has been sent in from Nanking to the State Department. Extended comment on the provisions of the treaty appear useless. Wang Ching-wei has apparently signed away, as far as lies within his power, everything except his own life. The provisions of the treaty as to the withdrawal of Japanese troops are a joke, as they are contingent upon the establishment of peace and order in China. Inasmuch as the Japanese will be the ones to decide when such a time has arrived, this means that Japan can keep as large an army as she wishes here as long as she likes. If this were not enough, provision is made for the maintenance of permanent garrisons at strategic points throughout the country.

Such a shameful treaty can only be kept in effect by force of arms, hence Chiang Kai-shek's statement that it is a worthless scrap of paper is correct. The treaty serves a useful purpose, however, in deomonstrating to Free China what a price would probably have to be paid to secure peace with Japan now. If there are any Chinese who still think that peace can be obtained on fair terms now, they must be foolish in the extreme.

It will be interesting to observe the effect on relations between Free China and Germany and Italy if these two countries eventually recognize the puppet regime in Nanking. The Chinese Government has officially announced that such recognition will be taken as an unfriendly act, but because of the importance of relations with Germany, it is conceivable that a way might be found to permit the Reich to maintain diplomatic representation in Chungking. As far as Italy is concerned, however, because of the comparative unimportance of Italian-Chinese relations, if would not be surprising, if Italy recognizes the new regime, to see the local Italian Embassy staff, consisting of a Secretary and one clerk, depart from this city.

2. United States Credit to China.

Whatever sting there was in the announcement of the signing of the treaty between Japan and the Nanking Government was almost entirely taken away by the news on December first that the United States had decided to grant additional credits to China for the purchase of munitions and to advance funds for the stabilization of the Chinese currency. While it must be obvious to the Chinese that the credits are by no means a gift, as they must be repaid by the export of raw materials to the United States, still the news of the granting of financial aid by the United States was very heartening, coming as it did just when the Japanese signed the treaty with Nanking.

Also heartening to China have been assurances from Russia and England that no recognition will be accorded the Nanking regime. A high official of the Chinese Government recently stated that the Germany was not pleased over the treaty because of the inclusion of anti-Communist clauses therein, and the Reich would accordingly not hasten to recognize the new Government. The same source states that Italy, following the German lead, is also expected not to be in a hurry to accord recognition.

It is of course apparent that even if no strings are

attached to the credit granted by the United States and China is permitted to buy airplanes, artillery, or any other engines of war, the problem of getting these things to China must still be faced. At the present moment, however, this problem does not appear to loom very large in the minds of the Chinese people, who seem to hope that since the United States has so clearly made evident her intention of standing by China, ways of getting muntions to this country will probably be devised.

The Chinese also take great comfort in the thought that the extension of financial or other aid to China by the United States excessively irritates Japan and increases the likelihood of war between Japan and the United States. Once such a war breaks out, so every Chinese thinks, Japan is finished as a world power and China has nothing more to worry about.

3. Relations between the National Government and the Chinese Communists.

That the Chinese Communists are worried and dissatisfied over their relations with the National Government is indicated in the long telegram sent in the middle of November by the Communist military leaders Chu Teh and Peng Te-huai to Generals Ho Ying-chin and Pai Chung-hsi, respectively Chief and Vice-Chief of the Chinese GeneralStaff. (See report from this office dated December 2, 1940," Notes on Relations between the National Government and the Chinese Communists.")

On November 27, 1940, two other members of this Embassy and the undersigned were entertained at a dinner given by a foreigner who is close to the Communists. Chow En-lai, Vice-Minister of the Ministry of Political Training of the Military Affairs Commission and a political leader of the Communists, was present and it appeared as if the dinner were given at his instigation. After dinner Chow made a lengthy informal talk in English, in which he explained many points in connection with Communist views on the present situation, repeating much of the contents of the telegram referred to above. Chow stated that the Communists were much disturbed over recent hostile troop moves on the part of the National Government, which moves, in not halted, might precipitate a serious crisis. (See radio from this office No. 223, November 28, 1940).

The fact that Chow En-lai went to considerable trouble and possibly some expense to secure an opportunity to make a lengthy exposition of Communist views may be taken as an indication of Communist concern over their relations with the National Government.

It is difficult for the writer to understand why the National Government seems to consider the Communists as such a danger to the present set-up of the Chinese state. As reported in the last "Comments on Current Events" from this office, dated November 3, 1940 (No. 10), Chiang Kai-shek recently stated that the machinations of the Communists was one of his "hidden enemies" which was causing him much worry. According to the Communists themselves, however, even including civilian groups which have been organized for resistance against the Japanese, their forces do not number more than 500,000, and these are scattered in a number of different areas in China. Just why the National Government, which has millions of men under its command of whom only a small part are engaged in active operations against the Japanese, should take much note of so small a number of Communists is surprising.

Pro-Communist observers have been heard to attribute the hatred of the Reds in ultra-conservative, possibly reactionary, Kuomintang circles to a fear that Communist organization of the people may affect rent rolls. Whether this be so or not,

the writer feels that certain quarters in the Kuomintang are unduly hysterical about the potential ability of the Communists to affect adversely the interests of the National Government.

An official of Communist headquarters states that they are anxious that the United States, in extending financial or other aid to China, should openly stipulate or at least broadly hint that civil war in China would have a most unfortunate effect upon public opinion in America. This source pointed out that last year the Soviet Foreign Minister informed General Ho Yueh-tsu, then a special envoy to Russia, that Russian aid would cease if the National Government continued to fight the 18th Group (former Eighth Route) Army. (See Radio Net 14, January 31, 1940). The source claims that the British Ambassador the China, after an interview with Chow En-lai, recently informed the Chinese Government that Great Britain would not aid China if the latter engaged in civil war with the Communists.

Communist sources in Chungking recently told the undersigned that they are willing to concede anything within reason, including moving the New Fourth Army north of the Yellow River for the sake of continuing a united front against Japan. There are limits, however, according to the source, beyond which the Communists cannot be pushed, and at the present time the continued pressure of the National Government, influenced by the anti-Communist reactionaries of the Kuomintang, may force them to strike back.

Giving the Communists credit for having considerable to be said on their side, the writer is still inclined to believe that the situation concerning relations with the National Government has been represented as somewhat more alarming than it actually is, and he thinks a compromise between the two factions will not be particularly difficult to effect, especially ~~the~~ if the National Government hands out some money.

The writer holds to the opinion that until the war with Japan is over, there is little danger of a real war between the National Government and the Communists, but that disagreements and more or less serious clashes will be followed by compromises and temporary settlements, the latter usually involving money payments on the part of the Government. When the war is over, however, if the Kuomintang is still in the saddle and has the power to do so, it will probably attack the Communists, horse, foot, and guns unless restrained by some such consideration as a fear of offending Russia or the United States.

4. The Price of Rice.

On November 29th the Generalissimo issued another blast on the rice question in which he informed the magistrates of the rice-producing hsien of Szechuan that he held them personally responsible for reporting to him, for suitable action, the names of any persons, no matter of how position, in their districts who were engaging in hoarding, speculation, or other acitivites tending to hinder the Government program to lower prices. He promised to protect the magistrates who carried out his orders, but said he would punish any who did not. The tone of his statement was severe, and indicated grave concern over the rice situation.

Following the Generalissimo's blast and the selling at reduced prices of considerable quantities of rice by Government agencies to the poor, the price of rice declined considerably in Chungking and in a number of other districts in Szechuan, ~~but the~~ During the past few days, however, the price has been gradually rising again. Dr. Franklin Ho of the Ministry of

Economics, an expert in commodity prices, thinks rice prices will not rise much until after the Chinese New Year in February, but after that time he expects the grain to be much dearer even than now. General opinion, however, seems to be that the price will soon climb back to the peak reached before the Generalissimo issued his last statement.

It has been officially announced that beginning December first, rice will be sold cheaply by the Government to the poor, students, dependents of ~~officials, and soldiers~~ officers and soldiers, and civil servants. Each adult is to be allowed to purchase about twenty pounds of rice per month for himself and each member of his family, including children over five years old. Children under five are allowed about ten pounds per month. It is estimated that this program will require over a million pounds of rice per month for Chungking alone. This is to be brought in, if it can be obtained, from neighboring rice-producing districts.

If the Government can obtain the rice to carry out this program, it would seem that the price of rice in the open market must inevitably drop, but it is not going to be easy to secure such a large amount. The cheap rice is of course not so good in quality as the best to be obtained in the uncontrolled market, but it is entirely edible and since it is unpolished is probably better for the health.

The question of what is causing the high price of rice is a complicated one, and one on which experts do not agree. One hears many causes mentioned, among them recent large purchases for military use, transportation difficulties, speculation, and hoarding, with the last two named spoken of most often. One of the heads of the powerful Young Brothers Bank, a Szechuan institution, recently expressed the opinion to the writer that the principal cause of the high rice price was hoarding of the crop by farmers, together with the inefficiency and corruption, mostly in the lower brackets, of the officials of the National Food Administration. This banker stated that efforts of the Food Administration to control prices were worse than useless, but that if unrestricted sales of rice were permitted, competition and the law of supply and demand would soon bring down the price.

This is of course the opinion of a banker and must be considered in the light of current reports that the Young Brothers, the Mei Feng, and the Szechuan Salt Banks are in no small degree responsible for the high price of rice, as they have loaned millions of dollars on stocks which are now being held in godowns instead of being released to the market. Mrs. Liu Hsiang, widow of the former Szechuan warlord, is also commonly reputed to control huge amounts of rice which if sold on the market would probably cause a drop in prices,- and possibly also in the amount of Mrs. Liu's fersonal fortune.

There is no doubt that the causes of high price of rice are many and complex, but reports generally agree that there is no shortage of the grain. According to the reports of the National Food Administration there is enough rice on hand now to last until the end of 1940 without touching the 1940 crop. Although the 1940 harvest was not up to the average of good years, there is plenty of it to last until the harvest of 1941.

On hears frequently, even in well-informed circles, that if the Generalissimo would shoot a few of the most prominent Szechuan rice hoarders, the price would soon drop. Whether this be true or not, it is probable that Chiang Kai-shek would be loath to take such drastic measures in a province whose support of the National Government has never been of the warmest variety.

The high cost of rice is undoubtedly a serious factor in the present situation, but since the National Government is fully cognizant of the danger, and because of the inherit; good nature, steadiness, and ability to withstand hardship of the "hundred families," the writer expects the Chinese ship of state to weather the storm.

5. Appointment of General Chang Chun as Chairman of Szechuan.

General Chang Chun, formerly Secretary General of the Supreme National Defense Council and one of the Generalissimo's favorite sons, assumed office as Chairman of Szechuan last month. Because of his close relations with Chiang Kai-shek, the fact that he was able to take over this position may be taken as a definite indication that the power of the National Government has increased in Szechuan during the past two years.

It will be remembered that in 1938 when the National Government appointed Chang Chun to the office which he has just assumed, opposition on the part of the Szechuan warlords was sufficient to keep him from taking his seat, although he is himself a native of this province. Chairmanship of the province was eventually nominally taken over by Chiang Kai-shek, who left the virtual administration of the office to General Ho Kuo-kwang, in charge of the Generalissimo's Headquarters in Chengtu. General Ho was acceptable to the Szechuan warlords and thus the face of all parties concerned was saved.

Between the time General Chang Chun's first appointment was cancelled and the Generalissimo took over, the Szechuan General Tang Shih-tsun was appointed Chairman. General Tang has been away from Szechuan for some time, leading his troops at the front, where they are said to have made a very poor showing and to have caused Szechuan warlords in general to lose so much face that opposition to Chang Chun was considerably weakened.

Reports from Communist sourceswhich must be taken with reserve say that a state of t ensionexisted in Chengtu during the last week in December, said tension having arisen over opposition to the appointment of Chang Chun. The same reports attribute the recent promulgation of martial law at certain hours here to concern over the situation in Chengtu. Reason for the partial state of martial law here was stated to be a desire to guard against thieves and robbers and "disturbing elements." Other than the state of martial law, no evidence of anything unusual was noted here, and no confirmation of the reports of tension in Chengtu could be obtained in official quarters. The most recent reports state that the tension in Chengtu has relaxed, but that it was sufficient to cause the National Government to put a stop to troop moves threatening the New Fourth (Communist) Army in Kiangsu and Anhui, referred to in Paragraph 3, above.

6. Military Operations in Hupeh.

Beginning November 23rd, the Japanese launched a four-column offensive in Hupeh, moving generally north on the east and west banks of the Han River. According to Chinese reports, four Japanese divisions participated, approximately one in each column. After making short advances, in no case more than seventy five kilometers, all columns returned to their bases by the end of November and, according to Hankow reports, the Japanese announced the successful completion of the operations.

Just what was the Japanese objective in these recent operations in not apparent here. Official military quarters

state that the Japanese objective was probably threefold; first to support the newly recognized Nanking puppet regime; second, to capture the important cities of Hsiangyang and Fancheng; and third to push back Chinese forces threatening Ichang and Shasi. Because the operations were concluded so quickly, however, it seems that the objective was probably merely "mopping up," which is the term the Japanese use for a general harassment of Chinese troops in a certain area.

The Chinese are claiming a big victory and say the Japanese lost twenty thousand killed and wounded, at the same time admitting that their own losses were heavy. Credit for the victory is given to General Li Tsung-jen, whose troops have twice before defended north Hupeh successfully against Japanese attacks. But with all due respect to General Li and his excellent troops, from here it does not seem likely that the Japanese have suffered any severe defeat.

The writer thinks that the objective of this offensive was to try out the Chinese defense for a possible weak spot through which a break-through could be made to take the important city of Fancheng, headquarters of the 5th War Zone, in North Hupeh on the Han River. Finding the Chinese resistance effective, it seems likely that the Japanese decided not to push their attacks further and returned to their bases. In view of reports in common circulation that the Japanese are making ready for a move south to Indo-China or beyond, they may have staged the offensive in order to give Chinese troops something to remember them by before shortening their lines in Central China.

Here in Chungking the net result of the operations appears in favor of the Chinese, for granting that Japanese losses and the number of troops involved were not so large as the Chinese claim, the fact that considerable numbers of Japanese troops marched up the hill and then marched down again without accomplishing any visible results of importance has considerably boosted the Chinese morale.

China is now without a military airforce and has very little artillery. That the Chinese Army, under such conditions, can stand up at all under Japanese attacks is decidedly to its credit. Such an army appears worthy of all the help the United States can give it in its struggle against an enemy whose avowed intention is the destruction of our interests and influence in the Far East.

7. Corruption and Usury Outlawed.

On November 23rd a circular order was issued by the Executive Yuan to all provincial governments prohibiting the lending of money to farmers at usurious rates of interest. The order stated that interest, either in cash of in percentage of a crop, should not exceed twenty percent per year.

This seems a very high rate of interest to the average foreigner, but is very much lower than that usually charged in China, where rates of from one hundred to one hundred eighty percent per year are not uncommon. One reason why usury is so difficult to eradicate in this country is that the people generally look upon it as a necessary evil which has always existed and probably always will.

According to Central News, the National Government has issued a circular reiterating its determination to outlaw official corruption, increase administrative efficiency, abolish the double-salary concurrent-job practice, restrict the use of automobiles, suppress gambling, and curb fast living.

state that the Japanese objective was probably threefold; first to support the newly recognized Nanking puppet regime; second, to capture the important cities of Hsiangyang and Fancheng; and third to push back Chinese forces threatening Ichang and Shasi. Because the operations were concluded so quickly, however, it seems that the objective was probably merely "mopping up," which is the term the Japanese use for a general harassment of Chinese troops in a certain area.

The Chinese are claiming a big victory and say the Japanese lost twenty thousand killed and wounded, at the same time admitting that their own losses were heavy. Credit for the victory is given to General Li Tsung-jen, whose troops have twice before defended north Hupeh successfully against Japanese attacks. But with all due respect to General Li and his excellent troops, from here it does not seem likely that the Japanese have suffered any severe defeat.

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"If so, it were a consummation devoutly to be wished."

8. Communications.

Dr. J. R. Baker, an American Red Cross official, who travelled from Lashio, Burma, to Kunming over the Burma Road during the last few days of November states that the road is functioning normally and its capacity is not overtaxed. According to him, the number of loaded trucks arriving daily in Kunming is variously estimated at from fifty to one hundred and fifty, which means that at least 3,000 tons of supplies per month are coming over the road. This is a small amount, only about one sixth of the tonnage which could be shipped over the Yunnan Railway, but it is a great deal better than nothing.

Dr. Baker also reports that the Yunnan-Burma and Kunming-Liuchow Railways, both now under construction, were opened to traffic for distances of about thirty kilometers from Kunming on both lines on December first. Rolling stock and rails came from the French-owned Yunnan Railway (Haiphong to Kunming). The report of the opening of these lines even for short distances is encouraging as this construction will make it possible to earn some revenue and facilitate the building of additional sections.

David D. Barrett
David D. Barrett,
Lieutenant Colonel, Ordnance Dep't.,
Assistant M/A.

Copy to Military Attache, American Embassy, Peiping.

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Classification

Enclosures
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357
Record Section File No.

Copy No. 6-1
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RECEIVED G/2 W. D. JAN 31 1941

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA
Country Reported On

Subject COMMENTS ON CURRENT EVENTS (No. 10) I.G. No.
Brief Descriptive Title

Source and Degree of Reliability:

Summarization of Report
When Required
1. Treaty Between Japan and the Wang Ching-wei Government
2. Japan and the United States
3. Terrorist Activities in Peiping
4. French Indo-China
5. Recognition of Manchukuo by Rumania
In Comments on Current Events Enter Item Headings Here

1. Treaty Between Japan and the Wang Ching-wei Government.

See G-2 Report #9953.

2. Japan and the United States.

The withdrawal of a large number of American citizens from the Far East in accordance with the suggestion of the State Department was a most important step. Politically the implications of this action were as significant, if not more so, than a movement of our naval forces. Its effectiveness would have been enhanced had all citizens whose stay was not absolutely essential, including dependents of American officials, heeded the suggestion.

The immediate effects of the withdrawal upon Japanese were salutary. It is probable that these effects will again soon wear off. It is remembered that the effects of the lapse of the Japan-United States treaty of commerce and amity, while seemingly most important at the time, have passed into limbo. Nothing that our government has done so far has in any way changed Japanese national aspirations in the Far East or their methods of accomplishing these aims. It is these aims and methods which are the crux of the differences between the two nations. While the Japanese Government has from time to time made minor adjustments in relieving a particular instance of violation of American rights, the basic differences continue to grow.

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From M. A. China Report No. 9957 Date December 4, 1940
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WAR DEPARTMENT
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U. S. GOVERNMENT PRINTING OFFICE 16—14547

The recent one hundred million dollar American loan to China, half of which is earmarked for currency support, again shows our continued support of that government. Its effects on Japan, however, are not in any way crucial. As a matter of fact, it will be difficult if not impossible to prevent Japan from getting some benefits from this action by acquiring foreign exchange in the Shanghai open market.

3. Terrorist Activities in Peiping.

On November 29th, in broad daylight, a Japanese staff officer was shot and killed while on horseback by unidentified Chinese gunmen in the northern part of the city. His riding companion was wounded. There were many reports of other similar terroristic actions but none could be confirmed. Immediate repressive measures were instituted by the Japanese. All outside city gates were closed and no Chinese were permitted to enter or leave. The intensive but fruitless search for the culprits continues.

As a result, "temporary" regulations have been promulgated which require any Chinese who wishes to enter or leave the city first to procure a police permit for each trip in which each applicant is fingerprinted and his fingerprints checked at the city gates. Heads of households are required under severe penalty to report to the police any new arrivals or departures from their homes. So far foreigners have not been stopped but chauffeurs driving foreign cars are not allowed through the gates.

This is the first authentic case of terrorism in the city since the attack on Wang Ke-min two years ago. The Japanese Military Headquarters is definitely alarmed and in a published proclamation promises "severe and relentless punishment to disturbers of the peace and those who aid or shelter them." The repressive measures are in no small measure also aimed at guerrilla contacts, which heretofore have had free access to the city.

4. French Indo-China.

The present government of French Indo-China is in sore straits. Japan has practical control of Tonking. To the south a bellicose Thailand is clamoring for return of territories. Minor clashes between the two countries are reported. In the Thailand demands as well as in the unrest evidenced by the Annamites can be seen the fine Japanese hand, though the Japanese press is placing the blame on British and Communist activities. Considering all factors, it is difficult to blame the Indo-Chinese Government for its plight. It appears to the writer, however, that had that government taken a resolute stand,

even with the small means at its command, against the earlier Japanese demands, the present picture would be entirely different. Vacillation and lack of determined leadership are the causes of the difficulties. That the Japanese feel pretty sure of their position is indicated by the shift of the seat of Japan—Indo-China negotiations from Hanoi to Tokyo.

5. Recognition of Manchukuo by Rumania.

On December 1st Hsinking jubilantly reported the formal recognition of Manchukuo by the tottering Rumanian Government.

William Mayer
Lieut-Colonel, Field Artillery
Military Attache

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Record Section File No.

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RECEIVED G/2 W.D. JAN 31 1941

MILITARY INTELLIGENCE DIVISION

WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA

Country Reported On

Subject COMMENTS ON CURRENT EVENTS #12 I.G. No.

Brief Descriptive Title

Source and Degree of Reliability:

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Summarization of Report
When Required

1. The Nanking Government
2. Indo-China—Thailand Dispute
3. Visit of Admiral Nomura

In Comments on Current Events Enter Item Headings Here

1. The Nanking Government.

During the period under review, the Wang Ching-wei Government has done little, if anything, to gladden the hearts of its Japanese creators. After the signing of the tripartite agreement, the Japanese press ventured the hope that the two other axis partners would soon recognize the new China government but this formality has neither occurred nor seems to be a possibility in the near future. Manchukuo, on the other hand, has seen fit to extend recognition and has decided to send its Home Minister, Mr. Lu Jung-huan, as the first Ambassador to Nanking.

General Abe, Japan's special envoy, has been recalled. Whether this was because of his failure to attain the desired results or whether he was only intended to set the new government in operation is a matter for conjecture. The new Ambassador, Dr. Kumataro Honda, presented his credentials to Mr. Wang on December 28th and stated in a press interview that he was confident he would receive the cooperation necessary to straighten out the minor issues which have arisen between Tokyo and Nanking.

COMMENT: Foreign observers, and lately the Japanese press as well, have come to believe less and less in the fond Japanese hope that the Nanking Government will be vitally instrumental in the accomplishment of Sino-Japanese peace. As has been stated in these comments before, there are undoubtedly some Chinese puppet leaders in the occupied areas who are serving

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U. S. GOVERNMENT PRINTING OFFICE 16—14547

the Japanese for reasons of personal power and monetary gain, while others are still loyal to Chungking and have accepted their present positions in order to keep abreast of events and thus aid and inform the Generalissimo, and the attitude of the layman toward the Nanking regime remains entirely apathetic.

2. Indo-China—Thailand Dispute.

While the aerial and guerrilla warfare on the Indo-China—Thai border has not reached serious proportions it has continued sporadically during the month of December. Most of the recent outbursts have assumed the retaliatory "eye for an eye" aspect. Press reports from Bangkok and Vichy (through Hanoi) have claimed that both governments are seeking a peaceful settlement but it is not clear as yet just who the real arbitrators will be. The Japanese press has hinted that Great Britain and America are backing the Kingdom of Thai and urging resistance to Indo-China, but it is well known that Japan's interest in this same country has not lessened and it is possible that she is stirring up both sides in the hope of creating an opportunity to occupy all of Indo-China. In that event her influence with Thailand will naturally be all the greater.

COMMENT: It has been rumored that Japan was ready to occupy Saigon and, in fact, all of Indo-China. Since this has not occurred, and as the Berlin controlled Vichy Government continues to maintain an uncompromising attitude toward the demands of Thailand, it is possible that Germany is opposing further expansion on the part of her Far Eastern axis partner. It is difficult to analyze the reasons for the continued desultory border sniping and the possible outcome, for if any negotiations are in progress they are being conducted behind the scenes and the final settlement is unpredictable.

3. Visit of Admiral Kichisaburo Nomura to China.

The new Ambassador to Washington, Admiral Nomura, arrived in Peiping December 30th from Hsinking and en route to Central China before embarking for the United States. His visit is a natural one and is obviously to inform himself thoroughly regarding Japanese-American relations in the occupied areas. That the Admiral's new job will be a very difficult one is recognized by all. He will undoubtedly meet first and confer longest with the various Japanese military commanders, who will (and not untruthfully) tell him that they are busy conducting a war in China and that while they are doing their best to preserve the personal and property rights of American and other nationals the needs of the Japanese Army must have priority over any other consideration. And it is very likely that the long list of legitimate protests delivered

to the Japanese Embassy by the American Embassy will somehow fail to come to his attention. It is hoped, however, that the Japanese Embassy officials (who in the performance of their diplomatic duties have received many rebuffs from the military) may be able to acquaint Admiral Nomura with the real state of affairs and that the Admiral may be empowered to use this information to alleviate the gradually widening breach in Japanese-American relations.

F. P. Munson
Captain, Field Artillery
Assistant Military Attache

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1ST. IND.

THE MILITARY ATTACHE, AMERICAN EMBASSY,
PEKING, CHINA.

TO: A. C. OF S., G-2

1. APPROVED.

WILLIAM MAYER,
Lt. Col., FIELD ARTILLERY,
MILITARY ATTACHE.

OFFICE CHIEF OF STAFF
MIL., INTEL. DIV.
1-1 2055-622
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AMERICAN EMBASSY
OFFICE OF THE MILITARY ATTACHE
CHUNGKING, CHINA.

CONFIDENTIAL WAR DEPARTMENT

December 31, 1940.

Subject: Comments on Current Events. (No. 12).

To: The A.C. of S., G-2, War Department, Washington, D.C.

RECEIVED G/2 W.D. FEB 25 1941

1. General.
2. The Economic Situation.
3. Relations with the Communists.
4. Relations with Great Britain.
5. Chinese Reaction to Thailand-Indo-China Conflict.
6. U.S. Airplanes for China.
7. Women in Chinese Politics.
8. Conclusion of Opium Suppression Campaign.
9. Capacity of the Burma Road.
10. The Chinese Industrial Cooperatives.
11. Anniversary of the Sinking of the "Panay."

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1. General.

The period under review, in contrast with some of the stormy months since the war with Japan broke out, has been one of comparative quiet on both the military and political fronts. One gets the impression that China is sitting back, watching with breathless interest the war in Europe, Japan's plans for a move further south, and the attitude of the United States toward the Far Eastern situation. In the opinion of the undersigned, China is staking all her hopes on two points; one the ability of England to hold out and thus slow down Japanese plans for the move south, and the other the possibility that war will break out between the United States and Japan or that the United States will adopt such a strong policy toward the Far East that the Japanese will not only be checked in the move south but will be hampered in their efforts to conclude the war with China on terms favorable to themselves.

The blunt remarks of Mr. Grew, the United States Ambassador to Japan, to Foreign Minister Matsuoka's "soft soap" speech before the Japanese-American Society in Tokyo on December 19th were received here with delight. This speech and President Roosevelt's speech of December 29th, in which he promised help to the democracies, specifically naming China, has done much to strengthen Chinese hopesthat the United States means business in the Far East.

The greatest fear on the part of thinking Chinese now seems to be that a declared or undeclared war between the United States and Germany may cause the former to tone down her Far Eastern policy. In other words, the Chinese fear that war with Germany may cause the politically powerful eastern part of the United States to demand the presence of a large part of the United States Fleet in the Atlantic, which would of course affect the ability of the United States to fight Japan.

That the fonest hope of the Chinese continues to be that there will be war between the United States and Japan is evidenced by amount of space in the public prints devoted to featuring reports of the bad state of relations between the two nations. Generally speaking, however, the Chinese do not seem to think that the occupation of the rest of Indo-China by Japan will cause the United States to take decisive

action, although it is generally pointed out how serious the effect of such occupation upon the positions of Great Britain, the United States, and the Netherlands East Indies will be. The opinion is frequently expressed that if the Japanese occupy the whole of Indo-China, any further move against Burma or the Netherlands East Indies must be followed by the most decisive action on the part of the United States. It would be much better for the United States, state well-informed Chinese, if this action were taken now, or at least if and when the Japanese take over more of Indo-China, but the Chinese generally realize, albeit with some chagrin, that the United States moves slowly in matters involving the possibility of war, and they have learned not to expect too much in too short a time.

2. The Economic Situation.

In view of the recent comparative quiet on the military front, and the general impression among the Chinese that the Army is in no danger of defeat, an impression strengthened by the failure of the recent Japanese offensive in Hupeh, the closest attention is being paid to the economic situation, which is admittedly serious in some respects.

Financially, the situation does not appear too discouraging. The recent loans by the United States and Great Britain for the stablization of the Chinese currency, while they have not caused any noteable rise in the value of the dollar, still have strenthed considerably general confidence in the dollar. Dr. H. H. Kung, in a recent review of the economic situation admits that there has been an increase in the amount of notes in circulation, but states that this increase has been necessitated by demands for such paper, and maintains that the amount of notes in circulation is still far from the saturation point.

A reliable source in the Ministry of Finance states that China now has sufficient gold, silver, and security reserves to cover from sixty to seventy percent of the notes in circulation, and that if government expenditures continue at the present rate for another year, there will still be enough reserves at the end of that time to cover forty percent of the note issue, although this is increasing at the rate of $150,000,000, national currency, per month. This report is believed to be correct.

There is no doubt that the most serious feature of the present economic situation is the continued rise in commodity prices. Dr. Kung in his review of the economic situation for 1940 admits this, although he claims that the Government will be able to handle the situation and he deplores the generally wide spread impression that things are in an alarming state.

In order to effect a lowering in the price of rice and other necessities of life, the Generalissimo on December 29th ordered that all stocks of foodstuffs held by firms and individuals in Chungking must be sold before Chinese New Year's Day (January 26th). After that date all stocks not disposed of must be registered with the Government. The order stated that all persons who did not sell or register their stocks as directed would be punished according to military law, but that those who obyed the order would be guaranteed a reasonable profit.

The Generaissimo has also directed that all businesses handling food stuffs must be organized into guilds. Persons

affected by the order who do not join the guilds are not to be allowed to purchase foodstuffs beyond the amounts required for their personal use.

The Government is trying to devise means of inducing the people to eat less rice and more less expensive grains, as well as other food products such as soya beans. Dr. H. H. Kung recently pointed out that that it would do much toward solving the present problem of living costs if the people would east less rice and more of the cheap and healthful substitutes which are plentiful. It is generally admitted, however, that it is very difficult to change the habits of the people in the rice-eating sections of China, where the fondness for polished rice, is deeply ingrained, even among the poorer classes.

On December 23, 1940, Yang Chuan-yu, who after the outbreak of the present war served a term as Mayor of Chengtu, was executed in Chungking on the charge of having hoarded several hundred piculs of wheat in an attempt to manipulate the price of this grain. Two of his alleged accomplices were sentended to prison terms. General comment on the execution was that Yang was small potatoes and that many well known hoarders on a much larger scale were going scot free.

The system of selling "military rice" to members of the civil and military establishments and to the poor, referred to in the last "Comments on Current Events" from this office, appears to be working reasonably well. As the result of the large amounts of "military rice" sold and the strict measures initiated at the order of the Generalissim to control hoarding and speculation, the price of polished rice on the open market has declined a little. It is still about $45.00 a tou, however, which is extremely high.

It was announced on December 12th that at the end of November of this year, Dr. Sun Fo, President of the Legislative Yuan, had recommended Government conrol of food stuffs and had suggested a detailed plan for the government purchase of rice. Dr. Sun's plan in brief was that the government should buy, half for cash, and half for interest-bearing bonds, ten million piculs of rice per month and sell this rice at increasingly low prices until the market price had been forced down to $30.00 per picul (one picul equals ten tou). No reports have been received to indicate that the Government contemplates adopting any such plan as Dr. Sun proposed.

The writer recently got an interesting side light on the economic situation when he overheard two Chinese, both evidently officials of low rank in some government office, discussing the cost of living. One stated that he ate in a mess run for about twenty persons where he got good meals, consisting of three main dishes and a soup, for $18.00 a month. He stated that "military rice" was used in the mess and was entirely satisfactory after it had been cleaned and polished. According to Chinese standards, eighteen dollars a month for one man for food alone is very high indeed, but it is less than one dollar, U.S. currency.)

3. Relations with the Communists.

Relations between the National Government and the Communists appear less strained than for some time past. Reports from both Government and Communist sources state that during the past month the New Fourth Army began to move from the south side of the Yangtze to the north thereof, but that the move was not completed at the end of December. There are

no indications that the New Fourth intends soon to move north of the Yellow River, as it has been ordered to do, but Communist sources report that this is a matter which can be negotiated.

Units of the 18th Group Army in Shantung and Kiangsu have not moved and according to Communits reports they will not move north of the Yellow River until the New Fourth has completed its crossing of the Yangtze, so that all Communist forces can proceed to their new garrison areas together.

Communist quarters in Chungking state that they consider the danger of attack by forces of the National Government much less than it was a month ago. Indicating the state of good feeling between the National Government and the Communists, The Generalissimo had Chow En-lai for Christmas dinner. Ha! Ha!

Communist circles in Chungking have been much interested to Chungking of Mr. Evans Carlson, formerly a Major in the United States Marine Corps, whom they consider their staunch friend. Mr. Carlson, who arrived in China last October and travelled through the Communist occupied areas of Anhui but did not visit Yenan, arrived in Chungking about December 20th. He plans to return to the United States via Hongkong in January. Mr. Carlson reports that in the parts of China which he has just visited, both in the areas in which Communist troops are stationed and others, the San Min Chu Yi Youth Corps is very active in attempting to stir up anti-Communist feeling. The San Min Chu Yi Youth Corps, according to Mr. Carlson, are the Chinese Blue Shirts in short pants. Mr. Carlson states that in one town in Kiangsi, sixty political prisoners are still held who were originally imprisoned in 1934 on charges of Communistic activities, this in spite of the alleged general amensty to political prisoners granted by the National Government after the outbreak of the war with Japan.

4. Relations with Great Britain.

The British Assistant Military Attache recently informed the undersigned that Great Britain had been exploring every possible means of extending military aid to China, but in her present situation had been unable to devise anything which would be of much help. The idea of a military mission, so he said, had been thoroughly explored, but had been given up because it was thought it would not be possible to send an efficient mission at this time and an inefficient mission would not do the Chinese any good.

Colonel Burkhart, the British Military Attache, who not long ago was called back from retirement to take up his present post, will soon be replaced by an officer of the Indian Army, Brigadier Dennys, who will be promoted Major General before his arrival here. General Dennys, who will arrive here next month, will bring a staff officer with him, so that with the Assistant Military Attache and the Air Attache, both of whom are now in Chungking, a sort of skeleton military mission will be formed.

5. Chinese Reaction to the Thailand-Indo-China Conflict.

Chinese in official and unofficial circles with whom the writer has discussed the subject pay very little attention to the fighting between Thailand and Indo-China which broke out during the month. The opinion is generally expressed that the belligerent attitude of Thailand is almost altogether the result of the machinations of the Japanese, who will probably seize upon the trouble as a pretext for taking more, if not all,

of Indo-China not yet dominated by Japan. The Chinese seem to have no hope at all for Indo-China as far as resisting Japan is concerned, and never have had since the Japanese first began to apply pressure on Indo-China last year.

6. U.S. Airplanes for China.

Much interest has been aroused here by press reports that the United States will release at least 400 new pursuits and bombers, including six flying fortresses, to China as the result of the visit to the United States of the air mission headed by General Peter Mao.

The head of the Chinese Ordnance Bureau, General Yu Ta-wei, recently admitted to the undersigned that the Chinese will probably crack up very rapidly any planes which the United States may give them, but he expressed the opinion that the good effect upon Chinese morale and the discouraging effect upon the Japanese would be worth much more than the cost of the planes. The undersigned is altogether in accord with this view. When he recently asked a high-ranking Chinese officer if the Chinese wouldn't like the United States to send pilots along with the planes, if she gives any to this country, the answer was that the Chinese would much rather have the planes alone, as they wanted to have the satisfaction of defeating the Japanese as much as possible by their own efforts.

7. Women in Chinese Politics.

On December 23rd the Standing Committee of the Central Executive Committee of the Kuomintang announced the names of 240 members of the People's Political Council for the second term of this body. Included in the list were six women, all of whom are pominent as war workers, writers, or educators. One, Miss Tseng Pao-sun of Hunan Province, is the great-granddaughter of Marquis Tseng Kuo-fan who played a great part in the suppression of the Taiping Rebellion.

One of the great changes which the war has wrought in China has been the change in the status of women. When the writer first went to Peiping in 1922, he seldom saw men and women walk together on the street, ~~while~~ and there were very few women in public life. Now, men and women and boys and girls walk together on the streets of Chungking with as much freedom as in any Western country, and the number of women in war and educational work, and in such professions as the law and medicine, run into thousands. Not only mature women but thousands of young girls are engaged in such activities as comfort corps, girl scouts, singing and dramatic corps, and similar organizations. Even in the country districts which have come the least under the influence of foreigners and Chinese with modern ideas, the position of women has been affected by the war, and it appears that the old-time idea that the place of women is in the home alone is destined to die out for good in China.

8. Conclusion of the Opium Suppression Campaign.

It has been officially announced that the six-year opium suppression camapaign period ended on December 31, 1940. The National Government has ordered the Executive Yuan to carry out rehabilitation work for reformed opium addicts, and the Generalissimo has issued a circular message exhorting all authorities to keep a vigilant watch for a recurrence of the evil and warning all concerned that anyone caught planting, transporting, selling, or smoking opium hereafter

will be punished with death.

There are now no shops in Chungking where opium may be bought officially. Bootleg sales are made, but at very high prices. It would require a painstaking study extending over a long period of time to determine the results, if any, of the opium suppression campaign, and even then it would be very difficult to get at the real facts. The writer believes, however, that with the closing of the licensed shops, and the strong interest which the Generalissimo takes in opium suppression, a decrease in the use of the drug may reasonably be expected.

9. Capacity of the Burma Road.

An official of the Ministry of Communications who recently arrived in Chungking after a trip over the Burma Road states that the present capacity of the Road is not much over 3,000 tons per month and that if this can be increased to 9,000 tons per month it will be doing very well indeed. This is a reliable indication of what may be expected of the road.

10. The Chinese Industrial Cooperatives.

Despite the fact that much space is devoted in the public prints to accounts of the remarkable achievements of the Chinese Industrial Cooperatives, Mr. Rewi Alley, the foreigner who is most active in the work of organizing and maintaining these cooperatives states than a number of influential leaders of the Gernment are actually opposed to the cooperatives and are doing everything possible to hamper their work. According to Mr. Alley, opposition to the cooperatives centers largely around their alleged communistic tinge. He names General Ho Ying-chin, Chief of the Chinese General Staff, General Tai Li, Chief of the Chinese Secret Service and civil head of the Chinese Blue Shirts, and Dr. Chu Chia-hua, Chairman of the Control Board of the Kuomintang Party as leaders who are especially hostile to the cooperatives. Mr. Alley claims that these leaders, in order to influence the Generalissimo and other leaders, do not hesitate to fabricate all sorts of reports designed to show the connection of the cooperatives with the Communists.

While he is in sympathy with many activities of the Chinese Communists, Mr. Alley is not a Communist and the writer believes that his only motive in working for the cooperatives is a desire to aid China to win the war. He claims that the cooperatives, on an original investument of Yuan$9,000,000 manufactured $13,000,000 worth of goods in 1940, and that if properly handled they would be a very effective means of strengthening Chinese resistance.

11. Anniversary of the Sinking of the "Panay."

On December 12, 1940, the third anniversary of the sinking of the U.S.S. "Panay" by Japanese bombs in the Yangtze River above Nanking, the "Hankow Herald" featured a long article by Mr. Norman Soong, an American-born Chinese who was on board when the vessel was sunk. The article recalled the insubordinate actions and insolent attitude of Colonel Hashimoto, who was responsible for the bombing, and pointed out the danger to the peace of the world from a country whose military system could produce and tolerate an officer of this type.

David D. Barrett

David D. Barrett, Lieut. Col., C.W.S.,(Inf), A/M/A.

Copy to M.A., Peking.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA

Country Reported On

Subject COMMENTS ON CURRENT EVENTS #13 I.G. No.

Brief Descriptive Title

Source and Degree of Reliability: RECEIVED G/2 W. D. MAR 5 1941

Summarization of Report
When Required

1. The Central Government
2. Japan's Southward Expansion

In Comments on Current Events Enter Item Headings Here

1. The Central Government.

While General Chiang Kai-shek is still grimly determined to continue resistance to the utmost against the Japanese, he must view with alarm the increasing apprehension shown by the United States toward the fate of his other ally, Great Britain. In spite of the prosecution of the war in Europe, Britain has always taken a keen interest in the developments of the Sino-Japanese situation and it is upon this country and the United States that the Central Government must rely for financial and material assistance. It is therefore essential that General Chiang demonstrate to these two allies that he has the situation well in hand, lest they consider his case hopeless and withdraw their aid.

Considering the above, it is difficult to understand how the Generalissimo allowed the armed conflict between Central Government forces and the Communist Fourth Army in southern Anhwei Province in January to reach the proportions reported by the Chinese as well as the Japanese authorities. This incident was heralded jubilantly by the Japanese as further indications of Chiang's loss of control and of the crumbling of the very framework of the Central Government. Although recent reports from Chungking state that the matter has been settled, the incident must certainly have caused some alarm in the United States and England.

The Communist Fourth Army was ordered to cross the Yangtze at certain points from the south and move to new positions in central Anhwei. It disobeyed, turned southeast, attacked a division of Central troops

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and was subsequently surrounded by superior forces and disarmed. It would seem that the Generalissimo could have avoided trouble by either allowing these troops to stay in the south, giving them their requested financial remuneration, or allowing them more time to make the move. Since, however, he chose to teach them a lesson and punish them in spite of the publicity involved, he may have decided that the increasing influence and strength of the Communists was a greater danger than the possibility of alarming his allies.

Another matter of grave concern to the Central Government is the increasing difficulty of transporting necessary supplies to free China from abroad. The lack of suitable routes to the interior make it practically impossible to obtain supplies in any quantity through the few remaining open ports in Chekiang, Fukien and Kwangtung, and the Japanese are steadily delaying transport via the Burma road by bombing and destroying the Mekong River bridges in Yunnan Province. Some observers in Chungking feel that unless these bridges are kept in repair and protected by planes and suitable anti-aircraft the transport bottleneck will reach catastrophic proportions.

While the import and export blockade carried out by the Japanese fleet and air force weighs heavily in the scales of Chungking's chances for victory, there are at least three factors which do much toward equalizing the balance. The currency has remained remarkably firm since the outbreak of hostilities, especially the important cross rate with New York and London. Secondly, the Japanese Army, unless its numbers are considerably increased, has penetrated about as far as it possibly can into China. Any further major drives such as west from Ichang on the Yangtze toward Chungking, north from Sinyang in south Honan to Chengchow on the Yellow River, or north from Indo-China along the railroad toward Kunming will be very difficult and probably very costly. And thirdly, the Chungking Government still has the financial support of the United States and Great Britain as well as the moral support of practically every country in the world including Japan's axis partners.

2. Japan's Southward Expansion.

That Japan is steadily making plans for a southward expansion has been evidenced lately by actual fact as well as by almost daily speeches from her leaders, and articles in the Japanese and puppet press. The actual fact was proven when Japan practically demanded and received permission to mediate in the Indo-China—Thai border dispute. To "facilitate communication" during the discussion she dispatched a destroyer to Bangkok and a cruiser to Saigon, plus warships in other ports in Indo-China. When the round table conference ends in Tokyo she will undoubtedly have further concessions in both countries which will mean,

in fact, moving her military and naval bases further south. The Foreign Minister has repeatedly warned the United States and Britain that Japan will tolerate no interference in her policy of forming an East Asia bloc. While these warnings may be trial balloons, they serve to prepare the people of Japan for possible future events - good or bad. When the Dutch East Indies were verbally incorporated in the East Asia bloc the Netherlands Minister in Tokyo protested and his protest was summarily rejected by the Foreign Office on the grounds that the "bloc" was economic and not political. The Japanese are stubbornly continuing negotiations with the Dutch East Indies and while they have not been too successful in their tilts with the hardheaded Dutchmen, they report that they will continue until a satisfactory agreement is reached. And lastly, as a further indication of a move to the south, there are unconfirmed reports that many Japanese divisions are in Taiwan and Hainan undergoing extensive "training."

COMMENT: Theoretically speaking, Japan is becoming a very good fence sitter and no one can blame her. As far as international friendships are concerned she is probably the most lonely nation in the world today. In spite of the increasing numbers of German advisers in Tokyo Japan is very suspicious of her axis partners and has not forgotten the double cross handed to her in 1939 when Germany broke the anti-Comintern pact and allied herself with Soviet Russia. On the other hand the axis is the only international bond the Japanese have to cling to.

The Japanese war Minister and other military and naval heads have recently stated openly that the war in China will not be settled for some time. Having eased their minds of this decision they seem content to hold what they have with the troops now in China and still look to the south for further expansion. It is the opinion of the undersigned that, if a non-aggression pact can be arranged with the Soviet, the Japanese will move on the Dutch East Indies if Germany is successful in attacking England, but not otherwise, as she does not wish to face the United States alone.

F. P. Munson

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Captain, Field Artillery
Assistant Military Attache

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1ST. IND.

THE MILITARY ATTACHÉ, AMERICAN EMBASSY, PEKING, CHINA.

TO: A. C. OF S., G-2.

1. APPROVED.

WILLIAM MAYER,
MAJOR, FIELD ARTILLERY,
MILITARY ATTACHE.

AMERICAN EMBASSY
OFFICE OF THE MILITARY ATTACHE
CHUNGKING, CHINA.

CONFIDENTIAL

OFFICE CHIEF OF STAFF
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WAR DEPARTMENT

January 31, 1941.

Subject: Comments on Current Events. (No. 13).

RECEIVED G/2 W.D. MAR 18 1941

To: The A.C. of S., G-2, War Department, Washington, D.C.

1. General.
2. The Chinese Power of Resistance.
3. Supply Routes.
4. Japan Mediates in Thailand-Indo-China War.
5. Relations between the National Government and the Communists.
6. Japanese Offensive in Honan.
7. Local Conditions.

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1. General.

The writer can find little about which to feel optimistic in the general situation, particularly as to the ability of the Chinese to continue resistance indefinitely. It seems apparent that if China is to hold out, she must receive definite aid from the United States in the very near future. In the opinion of the writer, however, the only aid which can do China much good must be of a sort which would bring the United States close to war with Japan, and it seems doubtful that the United States is prepared to extend such aid.

From this distance it begins to look as if the United States had her eyes so fixed on Europe and her mind so bent on the necessity of extending all possible aid to Great Britain that she is going to let things slide too long in the Orient. Not that the writer would soft-pedal all-out aid to Britain, for most foreign observers agree that if England were to collapse China would quickly make peace with Japan on terms tantamount to surrender. The writer fears, however, that while the United States is concentrating on aid to Britain, the Japanese policy of "nibble and conquer," rather "grab and conquer," is proceeding apace, carrying with it the threat of ultimate conquest of China and the destruction of all our interests in the Far East.

Japan has made her grab in the northern part of Indo-China. By a combination of intrigue, threats, and clever diplomacy she has placed herself in a most favorable position in Thailand. Now the next grab, the occupation of Saigon and the vitally important Camranh Bay, seems imminent.

Unless the United States is prepared to surrender all her interests in the Far East, she must make a stand against Japan some time. The question now seems to be just when this stand is to be made. From here it appears that while public opinion in the United States may feel that war with Japan is more or less inevitable, the time for a final show-down has not yet arrived. This is where the writer feels the United States is making a serious mistake. The time for the show-down, it seems to him, is not when the Japanese attack Singapore or the Netherlands East Indies, but before they occupy Saigon and Camranh Bay.

Japan has made it clear in official and unofficial statements that if the United States sends naval vessels to Singapore, war will probably result. If the United States would make it equally clear that the occupation of Camranh Bay would have a similar result, it might stop the Japanese advance south for a long time, or better still might even avert

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war between the United States and Japan. Such a declaration on the part of the United States would have to be made, however, with the full realization that it might precipitate war, but if it did the United States would certainly be no worse off than if she allowed Japan to grab all of Indo-China without doing anything about it.

2. The Chinese Power of Resistance.

In considering the question of how long the Chinese can continue to hold out, it is difficult to point to any definite indications that their power of resistance is weakening. The Japanese have not captured an important point in China since they took Ichang on June 15, 1940. Since the end of 1939, Japanese operations in China have been confined principally to advances and withdrawals, such as the move to the north and return from Canton in December, 1939; the march to the northwest and back in Northern Hupeh in November, 1940; and the most recent operation of a similar description in southern Honan.

A discouraging aspect of the situation, however, is that the Chinese Army now has no air force and very little artillery, and is consequently incapable of assuming the offensive. Also the routes over which munitions can come into China are very undependable. Under such circumstances the writer cannot see how the Chinese Army can be expected to keep up resistance indefinitely, unless aid comes from outside. The writer does not expect any sudden collapse, but he fears that the time may come in the not too distant future when the power of national resistance will be lowered to the point where the Japanese can materially reduce their forces in China, at which time Japan will really begin to win the war. Just because this time has not yet arrived is no assurance that it never will.

The writer believes that Chiang Kai-shek is as determined as ever to keep up resistance and that nothing can shake him in this resolve. It is entirely possible, however, that the time may come when Chiang can no longer inspire his armies in the field with the will to continue resistance in the face of daily increasing difficulties. It is also possible that factions in the Chinese Government who favor peace may get beyond Chiang's control. Even under such circumstances, however, the writer would expect to see no formal surrender to Japan. Rather he would expect to see a slow disintegration of the Chinese armies in the field, a virtual cessation of activity on all fronts, and a resulting gradual rapprochment with Wang Ching-wei or some other puppet at the head of the Nanking Government.

The writer's discouragement over the present situation would vanish in the twinkling of an eye if the United States should begin to render material assistance to China, or if war broke out between the United States and Japan. The latter eventuality looks unlikely at the present writing, but it is worth while to consider what aid the United States could give China which would really help her to continue resistance.

Further loans will not help a great deal for no matter how much the Chinese can buy abroad it will not do them much good if the materials cannot be brought into China. Airplanes, unless accompanied by pilots and maintenance crews will soon be cracked up, but the effect on Chinese morale would, in the opinion of the writer, be worth the cost of the planes. Artillery would help the Chinese a great deal, particularly pack artillery. Antiaircraft guns would stiffen the defense of China's life line, the Burma Road, but would require expert technical direction to be effective. Hence it

appears
that [illegible] of the sort which China really requires might bring the United States close to war with Japan. It looks as if public opinion in the United States would not support a war with Japan now, accordingly the writer is still discouraged.

3. Supply Routes.

The question of supply routes is one which worries the writer no little. The capacity of the road from Kansu through Sinkiang to the Turk-Sib Railway is small and the variety of munitions which can be transported over it is limited by the fact that such munitions must originate in or pass through Soviet Russia. Probably about 5,000 tons per month of supplies, mostly gasoline and parts for motor vehicles, are coming into China from the coast, [illegible] from Ningpo and Bias Bay, northeast of Hongkong. These openings can be stopped at the will of the Japanese. This leaves the Burma Road as the main link with the outside world and it is unlikely that it can be depended upon for the transportation of more than about 9,000 tons per month.

During the past few days the Japanese have bombed the bridges over the Mekong River and damaged them to an extent which will require some time to repair and meanwhile only a very inefficient ferry service is in operation. Reliable foreign reports state that the defense of the Mekong River crossing is inadequate and unless it is improved the Japanese will probably continue to bomb the bridges at will.

Plans for the shipment of gasoline and other valuable freight from the northern terminus of the Burma Railway into China by airplane have not yet materialized.

Thus, if about 9,000 tons of supplies can be shipped over the Burma Road during periods when bombing does not interfere too much, if a possible 5,000 tons can be brought in from the coast, and say three thousand comes in over the Sinkiang-Kansu route, it gives the Chinese a total of about 17,000 tons per month as the maximum which they can hope to receive under present conditions. It is not believed that this is enough, particularly when present reserves are exhausted, to keep the Chinese in a position to continue effective resistance, especially if the Japanese should make a determined effort to wind up the China incident.

4. Japan Mediates in the Thailand-Indo-China War.

It would be difficult to imagine limits to the opportunities for advancing her plans in East Asia which the Japanese have acquired by their recent skilful maneuvers in connection with the Thailand-Indo-China conflict,- a conflict which no one doubts was deliberately fostered by Japan. Already reports, not yet confirmed, speak of Japan troops sent to Saigon to enforce the terms of the marmistice recently concluded through the good offices of Japan. Even if notsuch troops are sent fort he present, the necessity for surveys of the Thailand-Indo-China border in connection with the settlement of the terms of peace will give Japan an excellent opportunity to fill in any gaps in her intelligence which she may feel should be rounded out before moving into Sian in order to proceed with her plans for attacks on Singapore and the Netherlands East Indies.

It is natural to assume that the Thailanders, in gratitude for Japan's mediation in the war, will grant Japan rights which will further endanger Singapore, the NEI, and the Philippines. Should the Thailanders not feel grateful enough, Japan has means of making them realize their obligations.

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Now that the horse has been stolen in Thailand, it is difficult to think of just what the United States and England could have done to prevent the theft. The concensus of opinion in these parts is that about all which could have been done, outside of a warning, backed by force, to Japan to keep her hands off Thailand's affairs, would have been to support the pro-British and pro-American factions in Thai. These factions did have some strength, but were in the unfortunate position of being unable to resist pressure to support the Japanese-promoted war with Indo-China, which had as its avowed object the recovery of certain territories which had been wrested from Thailand by France, without incurring the odium of being called unpatriotic.

In the opinion of the writer there is not much use in crying over the milk spilt in Thailand, as he thinks the only way by which the Japanese skulduggery in that country could have been frustrated was for the United States to have taken a firm stand, even to the point of risking war, and this the United States was not prepared to do. England's interests, of course, have been threatened more directly than ours' by the Japanese machinations, but England is occupied elsewhere and could do little.

5. Relations between the National Government and the Communists.

The fairly calm state of relations between the National Government and the Communists reported in the last "Comments on Current Events" from this office was rudely broken on January 5th when heavy fighting broke out near Moulinchen, Anhui, between National Government troops under General Shang Kuan Yun-hsiang, subordinate of General Ku Chu-tung, Commanding the Third War Zone, and forces of the New Fourth Army. The main facts have already been reported by radio. The National Government official reports state that part of the New Fourth Army mutinied, the mutiny was suppressed, and the New Fourth Army disbanded. The Communists claim that the New Fourth Army was wantonly attacked. The truth, as usual in cases of this kind, probably lies somewhere between these two statements. Incidentally, no reports have been received to indicate that the part of the New Fourth Army which had crossed from south of the Yangtze to the north thereof before the clash has been disbanded.

In a lengthy statement issued on January 29th concerning the clash, the Generalissimo declared that the suppression of a part of the New Fourth Army has no significance other than an evidence of the determination of the National Government to enforce discipline in the forces under its command. The Communists claim the clash was only the beginning of a general campaign of extermination.

At the present writing, things are fairly quiet as far as National Government-Communist relations are concerned. The Communists say they will never precipitate a civil war and will fight National Government troops only if attacked. They express fear, however, that civil war cannot be avoided because reactionary elements in the Kuomintang are bent on their destruction. They claim that National Government forces are being moved into position to begin a general offensive against them.

Other than recent reports of a move of the troops commanded by General Tang En-po from southern Honan to the area east of the Peking-Hankow Railway, referred to elsewhere in this report, the writer has heard nothing to indicate that the National Government may possibly be getting ready to attack the Communists. It must be born in mind, however, that in the areas south of the Yellow River where Communist forces

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still remain, there are strong National Government forces also, and it would be comparatively easy for the latter to assume the offensive against the Communists. In Shansi, the National Government keeps twenty five divisions, including some of the allegedly crack troops of the Chinese Army, under Hu Tsung-nan doing nothing but watching the Communists in Shensi. It is believed that these troops could fall on the Communists whenever ordered to do so.

As to who was to blame for the clash in Anhui, the writer is unable to judge because of the smoke screen put up by both sides. It seems hard to believe, however, that Yeh Ting, who commands the New Fourth Army and was with the part of it engaged in the fighting, would have attempted with only three thousand armed men to attack forces reported to number from seventy to eighty thousand, particularly when these three thousand were hampered by the presence of seven thousand non-combatants including headquarters and hospital staff, sick, wounded, and political workers. It would seem far more likely that had he desired to stage a mutiny, he would have done so before the strongest part of his Army had crossed the Yangtze River.

It seems more likely, and there are reports to this effect, that a subordinate National Government commander, probably Ku Chu-tung or Hsiang Kuan Yun-hsiang, began the attack without orders from Chungking when he saw a good chance to settle some old scores with the Communists, as Ku's forces are said to have taken a severe beating at the hands of the Communists in southern Kiangsu last October. After the attack had been made, it is very likely that Chiang Kai-shek might have considered it incumbent upon him to back up his subordinate, even though he himself might not have desired any such action.

Chiang Kai-shek and other leaders of the Government have recently stated that the Communists as a party will be allowed to continue their existence, but that their armies will not be allowed to exist as independent commands. This appears an entirely reasonable stand, and if not pressed to the point where it will be taken as grounds for a general offensive against the Communist armies, it is one to which the writer has no desire to take exception.

The writer feels that a general offensive against the Communists by the National Government would be a great mistake and would eventually put an end to effective resistance against Japan. He feels, however, that bedause of the weakness of the Communists, and the ability of the Chinese to compromise, that civil war will probably not break out. If it does, however, it is the writer's conviction that on that day the Japanese will have won the war.

Chinese who favor a general offensive against the Communists have been heard to say that if these enemies of the State could be put out of the way once and for all, the road would be cleared for an effective counterattack all along the line against the Japanese. This appears to the writer to be a mistaken conception, for granting that the National Government could wipe out the Communists, which it was unable to do before the war with Japan, it seems unlikely that such action would make it possible to fight the Japanese any more effectively than can be done at the present time.

6. Japanese offensive in Southern Honan.

Beginning January 24th, the Japanese staged another of their "forward and back" type of offensives in southern Honan, basing their operations on Sinyang. Reports indicate that the three columns engaged were practically unresisted,

although the Chinese claim that there was some heavy fighting in which the Japanese casualties were high. Concensus of reports indicates that the Japanese have begun to return to their base in the Sinyang area after reaching a line running from Hsiping, on the Peiping-Hankow Railway, through Wuyang and Fancheng to Nanyang. The last named point was formerly the headquarters of General Tang En-po, rated as one of the best troops leaders in the Chinese Army. Chinese official reports do not admit the capture of Nanyang, but say that even if it does fall, the Japanese will not hold it long as they apparently have no intentions of holding the ground they have taken in southern Honan.

As far as can be determined from here, the objective of this latest Japanese offensive was to strike in flank the forces of Tang En-po who began to move east across the Peiping-Hankow Railway from the Nanyang area during the latter part of January. Chinese official circles state that the objective of this move was to reinforce Chinese forces east of the railway in order to threaten Hankow, but it appears more likely that Tang had been ordered to put himself in a position from whence he could, if desired, launch an attack against Communist forces in Anhui, or even in southern Kiangsu.

In a report on the offensive published in the "Sao Tang Pao," organ of the Chinese Military Affairs Commision, General Pai Chung-hsi, Vice-Chief of the General Staff, states that the Japanese were never able to locate the main body of the Chinese in the area of operations, and thus delivered their blows in the air. This would indicate that the Chinese must have been pretty rapidly on the move to keep out of the way of the Japanese advance.

Granted that the Chinese put up little resistance, however, it is difficult to see what the Japanese got out of this offensive. If their objective was merely to harass Chinese troops in southern Honan, it was successfully carried out, but if the Japanese lost even a few thousand men,- the Chinese claim they lost twenty thousand,-it is hard to believe that the results were worth the cost.

It would seem inevitable that these "forward and back" offensives in which the Japanese have engaged frequently during the past fourteen months would ultimately have a bad effect upon the morale of the fighting forces.

7. Local Conditions.

The prices of everything continues sky high. Rice on December 31st was still below the peak price of Yuan$52.00 per tou of 37 pounds reached in November last year, but further advances to this level or even higher are said to be impending.

Some anxiety is felt over the continued lack of rain in the Chungking area. So far the winter, usually foggy and rainy, has been unusually open. The Mayor of Chungking recently informed the writer that thus far the dry weather has had no bad effects and that the early spring harvest of "mixed grains,"- meaning wheat, millet, barley and many other grains not including rice,- would be good. He said rain must come in large amounts, however, before June or the autumn rice harvest will suffer.

On hears universal complaint about high prices, but no other effects are discernible. High prices here remind one of what Mark Twain once said about the weather, "Everybody talks about it, but no one does anything about it." If anything is being done about high prices, the meaaures have thus far been largely ineffective.

Rebuilding of the bombed and burned parts of the city, albeit on a less pretentious scale than before,- if anything can be called pretentious in Chungking,- continues with feverish intensity, indicating the profits to be made out of shops and houses. New shops, particularly bazaars in which a great variety of goods are sold, are springing up all over the city. These bazaars are crammed with goods, mostly of Chinese manufacture but with a not inconsiderable proportion of foreign-made wares, which are sold at fantastically high prices. Goods hunger in Chungking must still be acute, else competition would operate to lower prices to some extent, for it is not believed that there is any combination of merchants to keep up prices.

It is a source of constant wonder to the writer how the Chinese can continue to live in the face of the prevailing prices, particularly the white collar class and the lower ranks,- even the higher ranks for that matter,- of military and civil officials. A modest lunch in an ordinary restaurant consisting of four dishes with rice, with possibly a few cups of locally made yellow wine, now costs around $30.00 local currency. In even the cheapest and dirtiest restaurant frequented by chair coolies and other low class laborers, the same food cannot be bought for much less.

When a major general in the Chinese Army is paid only about $300.00 Mex per month, it is difficult to see how even the highest ranking government employees survive.

Not long ago the writer was a guest a dinner given in the best restaurant in this city. The food was excellent and wine was served freely. The check for the two tables, about twenty persons, was $882.00. This, as far as the experience of the writer goes, constitutes an all-time high for a Chinese dinner.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA

Country Reported On

Subject COMMENTS ON CURRENT EVENTS #14 I.G. No.

Brief Descriptive Title

Source and Degree of Reliability:

RECEIVED G/2 W. D. APR 4 1941

Summarization of Report
When Required

1. The Central Government
2. Replacement of General Nishio
3. Anti-British Association

In Comments on Current Events Enter Item Headings Here

1. The Central Government

During the past month the position of the Central Government underwent no important change. In China itself the position seems even a little stronger than in the past few months. The Japanese drive in Honan has stopped, there seems to be no danger of further important points being occupied, the Burma Road is still functioning and reports from Chungking intimate that additional aid from Soviet Russia in the form of much needed planes will soon be forthcoming. The friction between the Central Government and the Communists has not been settled but it has at least reached the stage where discussions are in order and there may be no more armed conflicts.

From an international point of view events in China become more closely combined with those in Europe and it is up to the Japanese to make the next move. If the conferences now taking place in Tokyo result in further military, air and naval concessions for Japan in Indo-China and Thailand, Japan may not wait for a German attack on England to project her drive to the south. If on the other hand Japan decides to consolidate her gains in Indo-China and await future moves in Europe, China can expect further extensive bombings of her few remaining supply routes and the Japanese can probably hold their present positions secure in the knowledge that the much talked of Chinese counter-offensive will never materialize. The Generalissimo's will to resist the Japanese is as

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strong as ever but, as in the past, this continues to take the form of defensive warfare, and it is probable that any hope he may have for the salvation of China in the near future lies in the fact that a rash move on the part of Japan may bring against her the British and Dutch forces in the Far East and possibly those of the United States.

2. Replacement of General Nishio

On March first the War Office in Tokyo announced that General Toshizo Nishio, who has been the commander of all Japanese military forces in China since October 1939, would be replaced by General Shunroku Hata, former War Minister and the commander of the Japanese forces which took Nanking in December 1937. There was no mention of a possible change in the post of Chief of Staff of the China command, which has been occupied by Lieutenant General Seishiro Itagaki. The announcement continued that the change occurred in connection with the regular semi-annual transfers and would in no way involve any change in Japan's fixed policy with regard to the disposal of the China incident.

COMMENT: The undersigned is of the opinion that the recent change of commanding officers will have little, if any, effect on the general military situation. While General Nishio has been nominally in command of all the troops in the occupied areas, there have been no evidences of any combined operations on the part of the north, central and southern Japanese forces. While General Itagaki is reported to have personally taken charge of the Japanese drive in Hupeh in May, 1940, and thus as Chief of Staff may be the real commander of the forces in Central China, General Yamawaki still rules supreme in the Kalgan area, General Tada in Peiping and General Ushiroku in the south.

3. Anti-British Association

This association was organized about two years ago, at Japanese instigation, and has been sponsored by the Hsin Min Hui, The principal achievements have been to restrict the sale of British-American tobacco products in certain areas of North China such as Taiyuan and other cities in Shansi, and to harass British and Canadian missionaries till they were forced to evacuate and close their missions in North China. In Peiping the efforts of this association have been looked upon largely as a joke by British and other foreigners and nothing more violent occurred than the display of anti-British slogans, distribution of anti-British leaflets and threats to the servants of British residents and the Chinese landlords of British tenants.

Unless prodded into action periodically by the Japanese, this association would probably die a natural

death, and the following article which recently appeared in a local puppet paper gives an indication of its present effectiveness:

"The Peking Anti-British Association published yesterday a statement containing ten important measures to be carried out during the period between January and March this year, according to the Hsin Min Pao. The ten important measures are as follows:

1. To warn house-owners to get back the houses from British tenants,

2. To investigate the houses rented to British nationals,

3. To continue to investigate the conditions of British trade in the city,

4. To keep a check of British goods in the city,

5. To investigate the number of British nationals in the city,

6. To investigate the movement of the British nationals,

7. To strengthen the Anti-British work in the four suburbs of Peking,

8. To investigate those in the employment of the British,

9, To strengthen the Anti-British propaganda, and

10. The above nine articles will be carried out in the most effective manner.

In another section of the statement is given a list of houses evacuated by British tenants as the achievement of the Association. They are as follows:

1. The house situated at No. 32 Ta Juan Fu Hutung has been evacuated by the British tenant is now taken over by a Japanese,

2. The house located at No. 59 Ta Pai Fang Hutung has been evacuated by the British tenant who went to Tientsin and is now taken over by a Japanese,

3. The British tenant in the house located at No. 43 Hsin Hsien Hutung has left for Tientsin and a Japanese has moved into the premises,

4. As the owner of the house located at No. 14 Morrison Street occupied by a British is now in Shanghai, this house will be dealt with later."

COMMENT: Since there are over 70,000 Japanese nationals in Peiping at present and the housing situation is acute, it would appear that the main function of the Anti-British Association is to conduct a house rental office for the visitors.

For and in the absence of the Military Attache:

F. P. MUNSON
Major, Army of the United States
Assistant Military Attache

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2055-622
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WAR DEPARTMENT

CONFIDENTIAL

March 1, 1941.

Subject: Comments on Current Events (No. 14).

RECEIVED G/2 W.D. APR 17 1941

To: The A.C. of S., G-2, War Department, Washington, D.C.

1. General.
2. Relations of the National Government and the Chinese Communists.
3. The Cost of Living.
4. Relations with Soviet Russia.
5. Position of the National Government in Szechuan.
6. Situation in Yunnan.
7. The Burma Road.
8. Ammunition Supply.
9. Local.

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1. General.

There has been little change in the general situation during the past month. Japan continues to make preparations for moving south, particularly by concentrating forces in Formosa, Hainan Island, and in Kwangtung Province, but these moves are shrouded in considerable secrecy. Japan's principal visible activity has been to keep up pressure on France to cede territory to Thailand, which is a step to place Thailand under such obligations to Japan that the last named will be able to secure important concessions in Thailand which will facilitate an attack on Singapore.

Noted by G.B.

Both foreign and Chinese observers generally agree that Japan will not attack Singapore, and even less the Netherlands East Indies, until the German spring offensive against England is under way and is showing some signs of success. In the meantime Japan evidently feels, and apparently justifiably so, that her moves to increase her hold on Indo-China and strengthen her position in Thailand will not bring about immediate effective retaliation on the part of the United States.

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The Japanese press continues to defy the United States, but there are indications that many sane heads in Japan fully realize the danger of a war with the United States. With 36 and one half divisions of her Army immobilized in China, with a loss of over a million killed and wounded in the still unfinished China war, her economic position weakened, and her people inwardly if not openly weary of war, the score is too much against Japan even before she starts a war with a nation as strong as the United States. From this distance it would appear, however, that some sections of public opinion in the United States, particularly in Congress, fail to take cognizance of Japan's weakness and fear a war which might or might not be provoked by a strong United States policy in the Far East.

The Chinese continue to watch with breathless interest the state of relations between the United States and Japan, and the course of the Lend-Lease Bill through Congress is followed with undivided attention. Chinese public opinion is particularly sensitive to reports that the eagerness of the United States to aid Great Britain may result in a soft-pedalling of the former's policy in the Far East. The writer is frequently queried by Chinese in both official and unofficial circles as to whether the United States Navy is strong

File JaV

enough to fight Germany and Japan at the same time.

While the Chinese in general would be glad to see more emphasis placed on aid to China in the present situation and not quite so much on aid to Great Britain and Greece, still intelligent Chinese realize that immediate aid to Great Britain is of vital importance to China, as it is admitted if England were to go down, there would be little hope for China. The writer has previously expressed the opinion in these "Comments on Current Events" that China would openly or tacitly make terms very quickly with Japan if Great Britain were to collapse.

Thus it seems clear that the situation in China is now entirely bound up with the fate of Great Britain and the future actions of the United States in the Far East. One of the strong points of the Chinese is their ability to get other nations to act on their behalf. It now appears that there is a strong possibility that the United States will sooner or later take over the job of active resistance to Japanese aggression.. This is the fondest hope of very thinking Chinese, and as China has carried the burden of fighting the Japanese most creditably for almost four years, it is not an unreasonable attitude.

Should the Chinese become convinced, however, that the United States will not block the Japanese plans for the complete domination of East Asia, the writer feels that China will be forced to come to terms with Japan, all talk of continuing resistance to the bitter end to the contrary.

2. Relations of the National Government and the Chinese Communists.

In general, relations between the National Government and the Communists deteriorated during the month of February. There are evidences of increasing pressure from the National Government on the Communists, although it is believed that the situation is not yet near the point where civil war may break out.

Local Communist headquarters recently issued a long list of alleged cases of National Government oppression ranging from execution of persons on charges of being Communists to the use of insulting language against the Communist Party. In between these extremes were listed cases of arrest and detention of Communists and Communist sympathizers, interference with Communist trucks, searching of Communist headquarters and offices, seizure and suppression of Communist literature, and interference with the publication and distribution of the Communist newspaper in Chungking, the "Hsin Hua Jih Pao." Allowing for exaggeration in the Communist statement of the severity and extent of these alleged oppressive measures, it is believed that a considerable amount of them were carried out.

Several clashes, which Chinese official quarters state were of a serious nature, occurred between National Government and Communist troops during February. The Chinese General Staff were vague on the subject of where these clashes took place, but according to Communist sources they occurred near Tsunyi, Shensi, and Ninghsien, Kansu; in southern Honan; central Hupeh; and eastern Anhui. Most of the fighting incident to the clashes is reported to have taken place between February 24th and the end of the month.

The Communists, as they usually do in similar situations, claimed that the National Government was beginning a campaign to exterminate them, but as the clashes died down during the last days of February, so did the fears on the part of the

Communists and at the present writing both sides report that the situation is not particularly tense.

In general the relations between the National Government and the Communists seem to be gradually deteriorating. Pro-communist foreigners claim that as the hopes of the Kuomintang anti-communist die-hards increase that the United States will fight Japan, the extreme reactionary elements of the party feel that China's armed force should be used to exterminate the Communists.

The writer believes that the attitude of General Chang Chun, present Chairman of Szechuan and a Kuomintang stalwart, toward the Communists is typical of a large section of influential Chinese officialdom. General Chang recently told the writer that the Communists are now behaving very much like naughty children. He said that the Chinese Government, for the sake of presenting a united front to Japanese aggression, had long treated the Communists with kindness and had overlooked many serious misdeeds, but now the Communists were becoming increasingly bold and the National Government would have to put a stop to their bumptiousness.

On February 15th the Communists presented to the Standing Committee of the People's Political Council, for transmission to the National Government, a series of twelve demands. The Communists stated that unless these twelve demands were granted, their representatives would not attend the next session of the PPC which is due to convene early in March. The demands were as follows:

(1) Stop provocative acts against the Communists.
(2) Withdraw the Government's order of January 17, 1941, disbanding the New Fourth Army.
(3) Punish the ringleaders of the South Anhui Incident; Ho Y,ng-chin, Ku Chu-tung, and Shang Kuan Yun-hsiang.
(4) Release Yeh Ting and restore him to his command.
(5) Release the men of the New Fourth Army captured in the South Anhui Incident and restore their arms.
(6) Pay compensation for the killed and wounded in the South Anhui Incident.
(7) Withdraw the Communist Suppression Army from Central China.
(8) Lift the blockade against the Communists in the Northwest.
(9) Release all patriotic political prisoners in the country.
(10) Abolish the one-party dictatorship.
(11) Realize the San Min Chu Yi and respect the last will of Dr. Sun Yat-sen.
(12) Arrest all pro-Japanese leaders.

To the writer these demands appear in many respects unreasonable, especially as a pre-requisite to attendance at the People's Political Council of Communist representatives. It seems a foregone conclusion that the majority of the demands will be rejected. A more reasonable procedure on the part of the Communists would appear to be to attend the PPC and present the demands there rather than to refuse to play, like spoiled children, unless they could first get their own way.

Whether or not Yeh Ting is still alive is not known. According to some reports he has already been executed. Official quarters say nothing about him except that he has not been released. The fact that the Communists are demanding his release may indicate that he is still alive, but on the other hand, the Communists, knowing ~~that~~ he has been executed, are pressing for his release in order to embarrass the National Government, particularly in the eyes of foreign sympahtizers with the Communist cause.

The demands listed above would appear to indicate a great change in the attitude of the Communists since the beginning of the war in September, 1937, when they agreed to support Dr. Sun Yat-Sen's Three People's Principles (San Min ChuYi), abolish the policy of violence toward the Kuomintang, disband the then-existing so-called Soviet Government of China, and incorporate the Red Army into the National Revolutionary Army.

A noteworthy aspect of the present relations between the National Government and the Communists is the apparent indifference with which the representatives of the Soviet Government here appear to contemplate the alleged grievances of the Communists. The Soviet Ambassador stated not long ago to a member of this Embassy that his Government had no intention of interfering in the internal affairs of China particularly as far as relations with the Communists were concerned.

The Chungking representatives of the British Government, however, appear definitely in sympathy with the Communists. Communist sources claim that the British Ambassador has on several occasions exerted pressure on the Chinese Government to refrain from oppressing the Communists. Whether this is true or not, the British Ambassador has on several occasions told the writer that he considered the National Government unduly alarmed over the ability of the Communists to threaten the present set-up in China, and he hoped that the Kuomintang would not attack the Communists until the war with Japan had been won.

The Press Attache of the British Embassy, Mr. James Bertram, is frankly in sympathy with the Communists, and appears to use every possible opportunity to further their interests.

A recent change in the policy of the National Government toward the Communists has been in the amount of publicity which has been released on the subject of the relations between the two factions. Formerly the Government would permit practically nothing on this subject to appear in the public prints, and official circles were loath to admit that relations with the Communists presented any difficulties. Since the South Anhui Incident, however, many officials of the National Government from the Generalissimo on down have issued lengthy statements about the activities of the Communists and their effect on the situation.

The Communist forces still south of the Yellow River in Anhui, Kiangsu, and Shantung, show no signs of moving to the north of this river into the area assigned them by the National Government. It is believed that the clashes which occurred in February were evidences of the determination on the part of the National Government to force the Communist troops to move. If the Communists move their troops as the National Government has ordered them, the writer believes it may stave off civil war until after the war with Japan is over, but if the Communist forces do not move, continued clashes which may turn into civil war may be expected to occur.

In the opinion of the writer, however, it is unlikely that the Communists will be able to resist the pressure of the National Government to force them to move their troops north of the Yellow River. The Communists may be expected, however, to use every means they can devise to stave this off as long as possible, particularly in the way of appealing for sympathy from foreign sources.

The reluctance of the Communists to move their troops north of the Yellow River is easy to understand, for once

they are in this area, they must depend upon what they can extract from a desperately poor Chinese population or take from the Japanese to support their armies. This is by no means an attractive prospect.

3. The Cost of Living.

During February rice hit the record high price of Yuan$60.00 per tou of 28 catties (37 pounds), but the price had declined to about $48.00 per tou by the end of the month. Most other commodities registered a slight decline along with the price of rice. Eggs, for example, which at one time in February were thirty cents apiece are now about eighteen cents apiece. To anyone who has lived in China for any length of time, the thought of eggs being thirty cents apiece is startling, for eggs have always been plentiful and cheap in this country.

When the writer visited Chengtu last fall he found most commodities much cheaper there than in Chungking. During a visit to Chengtu in February, however, he found the prices of many articles, particularly manufactured goods, as high or higher than in Chungking. Rice, however, is cheaper than in Chungking by about fifteen dollars a touh

Generally speaking, wages have not risen in the Chengtu area to the extent that they have in and around Chungking. The population in Chengtu, however, is a more stable one than here, hence the housing situation is not so difficult and this partially compensates for the generally lower wage scale.

The cost of living continues one of the major headaches of the Chinese Government, and one sees much on the subject in the public prints. The opinion is frequently expressed by thinking Chinese that the common people cannot stand the present exorbitantly high cost of living indefinitely, but few people venture to predict just how long they can hold out. Most Chinese seem to have little hope that the Government can do much to lower prices, but they hope that before ~~excessive~~ living costs have caused China to lose the war, some other factor, such as a U.S.-Japan war, may operate to save the situation.

4. Relations with Soviet Russia.

Reports that Mr. Matsuoka, the Japanese Foreign Minister, will soon visit Berlin and Rome and will probably go to Moscow are heard by the Chinese with alarm. They do not mind so much the prospect of his visit to the capitals of the other Axis Powers, for the worst with regard to these nations is already pretty well known, but they fear that if he goes to Moscow it may presage the signing of a Russo-Japanese non-aggression pact. This would be a severe blow to China, even if it did not affect the amount of Russian aid, for it would at least enable Japan to withdraw some of her Manchurian garrison for use elsewhere and would give her a freer hand for the move south.

The Chinese realize full well that Russian aid, in line with the Russian diplomatic policy of giving away her hand to the least possible extent and keeping the world guessing as much as possible, is an extremely uncertain quantity, likely to be affected by any one of a number of factors.

Last month when the writer was in Chengtu he stayed in the Hostel of the Officers' Moral Endeavor Association, in which were also quartered seven Russian air advisers. The

manager of the Hostel requested the author not to visit the third floor of the building where the Russians were living and he said they were extremely suspicious of and resented the presence of any other foreigners. He also said that even so slight a thing as a conversation between him and another Chinese in the presence of the Russians would excite their suspicion.

A Major General in the Chinese Air Force in Chengtu told the writer that it would be impossible to permit him and the Assistant Naval Attache to visit any Air Force installations where Russians were employed, as the latter would be very much displeased if other foreigners appeared where they were working. "And after all," remarked the Air Major General, "the Russians have aided China a great deal and we must be careful not to offend them."

5. Position of the National Government in Szechuan.

Because of the hostility toward the National Government which the Szechuanese have felt for many years, and even more so since the capital was moved here, it is interesting to hear from a reliable source that the National Government now clearly has the upper hand in this province. Although the Szechuan warlords, some of whom still do not love the National Government, control hundreds of thousands of troops, there are enough troops in the province loyal to the Government to make its position secure.

There are reported to be fifteen divisions of recruits in training in this province, all under officers loyal to the National Government. The ten thousand cadets of the Central Military Academy in Chengtu constitute an excellent armed force absolutely loyal to Chiang Kai-shek. Two Szechuan divisions under Teng Hsi-hou may be counted on the National Government side, for although Teng is an old-time warlord type, he is friendly to the Generalissimo.

The most powerful Szechuan warelord unfriendly to the National Government is Pan Wen-hua, who controls two very much over-expanded divisions, but is not strong enough to be a serious menance to the power of Chiang Kai-shek. Madame Liu Hsiang, widow of the former chief warelord of the province, is said to control, through relatives, sixty thousand Szechuanese troops. The Madame is not friendly to Chiang Kai-shek.

Most of the government officials in Chungking and a large part of the civil population come from outside the province of Szechuan. Such persons are called "down-river men" and there is little love lost between them and the Szechuanese. The former generally hold the natives in contempt as being rude and uncultured,- the writer has heard them referred to as "hsiung" (savage),- while the Szechuanese, long known as extremely clannish, resent the influx of persons from outside the province into their domain. Before the war Szechuan was practically independent of the National Government, hence it is natural that the Szechuanese should not welcome the new order.

Personally the writer, who in general likes people from all parts of China, finds the Szechuanese the most unpleasant Chinese with whom he has ever come in contact. Admittedly, however, the writer's experience with Szechuanese has been principally with lower ranks of society, such as boatmen, rickshaw pullers, and shopkeepers who should not be taken as representing the natives of this province as a whole.

6. Situation in Yunnan.

While this report has not been definitely confirmed, it is believed probable that the National Government now has at least two divisions of troops in Yunnan Province. Ho Ying-chin, Chief of the Chinese General Staff, recently spent some time in Yunnan, and according to official reports he made a thorough inspection of the defenses of the province. From all reports it would appear that relations between the National Government and Yunnan are now satisfactory.

Chinese official quarters state that they consider it unlikely that the Japanese will attack Yunnan province by land from Indo-China, as the terrain would be very much against the attackers. They expect Japanese activity against Yunnan to be confined to air attacks on the Burma Road and possibly raids on the Chinese Government airplane factory in Loiwing.

7. The Burma Road.

According to reliable reports, the ferry over the Mekong River which has been in operation since the bridges were destroyed, is capable of handling all the truck traffic now passing over the road without difficulty, but the total tonnage over the road does not exceed three thousand tons per month, which is a very small amount in comparison with China's needs. The Chief of the Chinese Air Force recently told the writer that his minimum requirements for aviation gas to keep one hundred combat planes in operation was two thousand five hundred tons per month.

From the consensus of reliable reports, the Burma Road is not being utilized to anything like its capacity principally because of inefficiency in handling the trucks which pass over the road. No small part of the trouble with trucks is reported to be due to poor control of the drivers, who in general are careless, inefficient, and undisciplined. The demand for truck drivers on the Burma Road and elsewhere in China exceeds the supply, hence if a driver is discharged he can easily get a job somewhere else, and this operates to make the drivers very hard to control. Thus far the Government has shown no disposition to use severe methods to control the truck drivers.

8. Ammunition Supply.

The Chief of Chinese Intelligence admitted to the writer a few days ago that ammunition supply, both for small arms and artillery, is becoming increasingly difficult. He stated that while the Chinese were able to supply part of their needs for small arms ammunition by manfactures in Chinese arsenals, they could not produce enough. He said that they had to depend almost altogether on outside sources of supply for artillery ammunition, and because of communication difficulties this was becoming harder and harder to obtain. The lack of ammunition, according to this officer, is now seriously hampering the operations of the Chinese Army, particularly in assuming the offensive.

9. Local.

The bombing season is now close at hand, and may come earlier this year than last as the weather has been unusually clear throughout the winter. The way many new houses and shops are being rushed to completion one would think it is in order to have them ready to be bombed with as little delay as possible.

On hears the opinion frequently expressed by the Chinese that the Japanese will not bomb Chungking so heavily this year as las

year as last because they will probably have use for their bombers in other areas, possibly in connection with their move south. Even if the Japanese bombers do come, many people think, the new airplanes to be received from the United States and elsewhere will so strengthen the air defense of Chungking that the attacks will be driven off.

The Japanese broadcasts have lately threatened that bombings of Chungking will begin on an extensive scale just as soon as clear weather comes, but talk of this sort is of course very cheap.

A tempest in a teapot which has somewhat of a serious side has been raging here for the past few days in connection witht he business of the British shipping firm of Butterfield and Swire. This firm recently sold one of its steamers to the Chinese Government controlled Ming Sheng Company. The B and S Company paid off the crew and gave them a travel bonus so that they departed satisfied. There still remain on the ship, however, about twenty four "tea boys" who were never employed by the Company, but were employed by the compradore for the purpose of running "pidgin cargo" (cargo not listed on the manifest from which the Company derives no profit), which according to the Company takes up thirty percent of the carrying capacity of all upper river steamers operated by foreign firms.

The "tea boys" demand a payment from the B and S Company before leaving the ship, and the company, very properly it would appear, refuses to pay on the grounds that they never employed or even desired to have around the tea boys in question. The Ming Sheng Company, incidentally, long since threw the tea boys off their ships.

Thus far efforts to get the tea boys off the ship by appealling to the Chinese authorities have failed. The police say the boys refuse to leave and they are without authority to use force to make them go, and the matter rests there. Apparently the affair may drag out indefinitely unless B and S decides to submit to extortion and pay what the tea boys are willing to accept.

About twelve years ago B and S tried to regulate the activities of tea boys on some of their ships. In the labor troubles which resulted the Company, according to its officials here, lost over five million dollars, several persons lost their lives in riots, and in the end the tea boys came out ahead.

CONFIDENTIAL

David D. Barrett,
Lieut. Col., CWS (Inf),
Ass't MA.

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364
Record Section File No.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT GENERAL STAFF

MILITARY ATTACHÉ REPORT CHINA
Country Reported On

Subject COMMENTS ON CURRENT EVENTS #15 I.G. [illegible]
Brief Descriptive Title

Source and Degree of Reliability:

RECEIVED G/2 W. D. MAY 19 1941

Summarization of Report
When Required

1. The Russo-Japanese Non-Aggression Pact

2. The Nanking Government

In Comments on Current Events Enter Item Headings Here

1. The Russo-Japanese Non-Aggression Pact.

Mr. Matsuoka's "victory" in Moscow was heralded with acclaim by the local Japanese and puppet press, but Chungking failed to register undue alarm. China's chief concern is the importation of war materials and there is nothing in the wording of the pact which will prevent the Soviet from continuing aid in this respect. Recent reliable information from Chungking affirms the fact that Soviet planes and artillery are still entering China via Hami and Lanchow. Undoubtedly the signing of the pact will be looked upon as a good omen by the people of Japan, but it is improbable that the two High Contracting Parties will place any further faith in each other than formerly, nor is there any indication of the withdrawal of Japanese divisions from Manchukuo. As a precedent the Japanese may remember that in August, 1939 the Germans and the Soviet signed a similar pact, yet at present the Germans are constructing their "East Wall" while Soviet armies are reported to be massed along their west border from East Prussia to the Black Sea.

Since the United States and Great Britain have received the news of this pact with little or no concern, the Chungking Government also has sufficient reason to adopt the same attitude, and it is difficult to see how the signing of such a non-aggression pact with the Soviet will enable Japan to hasten the termination of the China conflict.

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From M. A. China Report No. 9986 Date April 18, 1941
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WAR DEPARTMENT
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2. The Nanking Government.

On March 30th the New Central Government at Nanking, headed by Mr. Wang Ching-wei, celebrated its first anniversary. Celebrations were held in Nanking, Peiping, and the other principal cities of the occupied area, and were attended by high Japanese military and civil dignitaries as well as Chinese puppets. In Peiping the outdoor meetings were attended by thousands of the local populace but it was well known that this was compulsory rather than voluntary since the Japanese and Chinese puppet police had ordered at least one person to appear from every store in the city. The speeches were long and noble and to the general effect that the Chinese people greatly appreciated the help offered by the Japanese in freeing them from Chungking oppression and in the establishment of the orthodox Central Government. They also pledged allegiance to Nanking, to the friendly governments of Japan and Manchukuo, and declared their intention to support wholeheartedly the campaign against the communists, guerrillas and other bandits operating in the occupied areas.

Actually, a review of the year's accomplishments of the Nanking Government must constitute a great disappointment to its Japanese masters. The main reason for its establishment—the overthrow of the Chungking regime—has in no way been accomplished. It has, however, succeeded in agitating labor troubles and terrorist acts in Shanghai, continued with the abortive anti-British campaign, increased import and export restrictions to the detriment of foreign business, and voiced through its press violent opposition to the two countries which it claims are standing in the way of the new order in East Asia, - Britain and America.

Considering the facts that the Japanese Army in China is by no means self-supporting, that the Japanese controlled railroads are operating on a deficit, that the China Affairs Board is still pouring thousands of yen into Japanese industries in the occupied areas, and that the Chinese masses are still pro-Chungking in sentiment, it appears that the accomplishments of the Nanking Government leave much to be desired.

F. P. Munson
Major, Army of the United States
Assistant Military Attache

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WAR DEPARTMENT

CONFIDENTIAL

March 31, 1941

Subject: Comments on Current Events (No. 15).

To : The A.C. of S., G-2, War Department, Washington, D.C.

RECEIVED G/2 W. D. JUN 3 1941

1. General.
2. The People's Political Council.
3. Signing of the Lend-Lease Bill.
4. Conclusion of Japan-Thailand Pact.
5. Relations between National Government and the Communists.
6. The Burma Road.
7. Matsuoka's Visit to Europe.
8. Story of the 1940 French Military Mission.
9. Military.
10. Local.

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1. General.

Little change in the general situation has occurred during the month. The fate of China largely depends upon what moves Japan will make in the near future and apparently Japan is going to take no drastic steps until developments in the European war make it possible to predict with more accuracy than at the present time whether or not England will be defeated. The Chinese are watching with the closest attention the reports of Mr. Matsuoka's visit to Moscow, Berlin and Rome, although as far as can be determined, no one outside of the heads of the Axis Powers has any idea of what Mr. Matsuoka has talked about or the result of his talks. Japan seems as incapable as ever of bringing the China war to a close and her operations on land during the month, except for stopping leaks on the coast, through which considerable amounts of supplies have been coming into China, seem to have netted her nothing but a considerable number of casualties.

2. The People's Political Council.

The Second People's Political Council convened March 1st for a ten-day session in this city with 193 out of 237 members in attendance. The Council met in a new auditorium the construction of which was originally undertaken to provide a meeting place for the People's Congress which was scheduled to meet on November 12, 1940 to adopt a constitution for China. The People's Congress was called off, allegedly because war conditions made it impracticable for the delegates to reach Chungking.

The highlight of the session was the effort of the Communist members of the Council to secure the granting of certain demands as a prerequisite to their attendance. Two sets of demands were presented. The first set was presented on February 15th to the Standing Committee of the Council and were reported on page 3 of "Comments on Current Events" dated March 1, 1941, from this office. The second set was presented on March 2nd and were as follows:

(1) Cease all military operations against the Communists.

(2) Cease political pressure and recognize the legal status of the Communist and other parties. Release prisoners arrested on charges in connection with Communism in Sian, Chungking, Kweiyang, and other places. Reopen closed Communist book stores and lift the mail ban on Communist publications.

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[illegible] pressure on the "Hsin Hwa Jih Pao".
(6) Recognize the legality of the Shensi-Kansu-Ninghsia Border Administration.
(7) Recognize "anti-Japanese regimes" in occupied territory.
(8) Recognize in status quo the present defense sectors of Communist forces in northern and central China.
(7) Organize another Group Army in addition to the 18th, these two Group Armies to contain six armies.
(8) Release and reinstate Yeh Ting.
(9) Release all Communists captured in the South Anhui fighting and grant pensions to those killed and wounded.
(10) Return the arms and prisoners taken in South Anhui.
(11) Create a joint committee of one representative of each party in China, with the Kuomintang as chairman and the Communist representative as vice-chairman.
(12) Permit the participation of the Communists in the Presidium of the People's Political Council.

The above demands were less drastic than those presented in February but resembled them closely in many respects. On March 6th Generalissimo Chiang Kai-Shek made a lengthy speech before the People's Political Council on the subject of these demands. The keynote of his address was an outspoken condemnation of the Communists for having presented the demands, particularly to a purely advisory body such as the People's Political Council instead of to the Government itself. The Generalissimo caustically remarked that the first set of demands resembled very much those made by Japan on China just before the outbreak of the war in 1937.

In a lengthy analysis of the demands he criticized them severely, particularly the one for the abolishment of "one-party Government" and the inauguration of a "joint-party committee" with the Kuomintang as chairman and the Communists as vice-chairman. This, according to the Generalissimo, is inconsistent with democracy as all parties are equal in the People's Political Council and no one should ask for special status. With reference to the demand that the National Government should cease provocation of Communist forces he denied that Government troops had ever done so. He stated that there must be only one National Army and that this National Army must belong to the people and not to any one party or clique.

The Generalissimo remarked upon the difference in tone of these demands and the Communists' manifesto of September 1937, in which they pledged the fullest support of and cooperation with the National Government. (Note: Contents of the manifesto were capitulated on page 4 of "Comments on Current Events" of March 1, 1941, from this office). In closing his address the Generalissimo declared that if the Communists would stick to this manifesto and march shoulder to shoulder with the National Government they would be allowed the privilege of participating in the defense of the nation. In a final dramatic conclusion to his speech, the Generalissimo stated that he would leave the question of whether or not the Communist demands should be granted to the decision of the Council. As was to be expected, the Council later voted to reject the demands.

The People's Political Council is a purely advisory body and has power only to pass resolutions which recommend action on the part of the National Government. It appeared to the writer, however, from a close perusal of the published accounts of the transactions of the Council, that the members displayed a keen and intelligent appreciation of the present problems facing the National Government. The members of the Council, except from the Communist Party, are practically "hand-picked" by the Kuomintang and it is therefore natural that the recommendations of this body should represent nothing of a radical nature or out-of-line with the

present policies of the Kuomintang.

That the members of the Council understand present conditions in China was indicated in their final manifesto. This manifesto called the attention of the Government to the necessity of controlling food prices and recommended that every possible means be used to lower the cost of living. The Council, as was to be expected, urged the Communists to submit to the discipline of the National Government.

An interesting feature of the session of the Council was a lengthy, and according to reports, a heated discussion of the question of conscription. Apparently the discussion centered around the point of how much money should be paid by persons buying exemption from conscription. As far as is known there was no discussion of the ethical question as to whether it is right for a man to avoid military service by purchasing exemption when his country is engaged in a life and death struggle against foreign aggression.

The writer met a number of the delegates attending the Council and he was impressed by their generally high caliber. Six women delegates were in attendance, the most prominent of whom was Doctor Wu Yi-fang, president of Ginling University, Chengtu, who presided over several sessions of the Council.

The Council is intended as a body to prepare the foundation for a National Congress for China. In the opinion of the writer, if it continues to function along its present lines, it may be expected to serve this purpose efficiently.

3. Signing of the Lend-Lease Bill.

The Chinese were of course very much encouraged by the passage of the Lend-Lease Bill. It is understood, however, that immediate aid to China under the provisions of this bill will probably not be forthcoming as it is generally conceded that England's need is greater at this time than China's. It is also realized that aid to England helps China, because as long as a British defeat appears unlikely, Japan hesitates to move south and in addition her plans for the settlement of the China war are adversely affected.

4. Conclusion of Japan-Thailand Pact.

Chinese official circles paid little attention to the conclusion during March, under the guiding hand of Japan, of hostilities between Indo-China and Thailand, as it was apparent all along that France could do little or nothing to resist Japan's plans to increase her hold on Indo-China and secure valuable concessions from Thailand. The spectacle of a once powerful nation like France compelled to dance to Japan's tune in the matter of the Thailand-Indo-Chinese hostilities is indeed a pitiful one. Reports from Vichy emphasize that France never yielded to Thailand but that the French Government could not resist pressure from Japan.

It is also sad to observe the French Military and Air Attaches' trying to carry on their duties in China since the collapse of France. The Military Attache has admitted to the writer that although he is treated with courtesy by the Chinese, he is able to obtain very little worthwhile information on military subjects. In other words, it is evident that China realizes that no help can now be expected from France, hence little attention is paid to her.

A French business man of long experience in China and Indo-China recently told the writer that in his opinion Japan would exercise a cautious policy in extending her control over Indo-China

because even the Japanese Army realized that if the French are pushed too hard, the result will be serious curtailment of production of rice, coal, and rubber, three commodities in which Japan is vitally interested in securing from Indo-China. This gentleman was of the opinion that the Annamites, largely pro-Japanese or at any rate anti-French before the entry of Japanese troops into Indo-China, are now almost universally anti-Japanese. Because of this anti-Japanese sentiment on the part of the natives, he thought that the Japanese Army could not compel the French who operate the plantations and coal mines of Indo-China to continue production by force of arms alone and therefore it would be the policy of Japan to follow a comparatively moderate course in Indo-China and refrain from extending military control too far.

The writer is inclined to feel that the views of this business man were probably the result to some extent of wishful thinking, particularly as the French in both official and unofficial circles here are prone, probably with a desire to save face, to minimize as much as possible the magnitude and importance of Japanese military activity in Indo-China. It is possible that economists in Japan may think it best for the Japanese Army to pursue a policy of moderation in Indo-China, but whether the Army, which up to now has shown a conspicuous lack of appreciation of the importance of economic considerations in its campaign on the mainland of Asia, will subscribe to such a policy remains to be seen.

5. Relations between the National Government and the Communists.

Relations between the National Government and the Communists were generally quiet throughout March. Strong rumors were in circulation during the latter part of the month that the National Government would begin a general offensive against the Communists about April 1st, striking particularly against the Communist controlled area in Shensi. As yet, however, there are no definite indications that the National Government intends to undertake such a campaign. No reports have been received of any movements of Communist troops to carry out long-standing orders of the National Government to move north of the Yellow River.

Although relations between the Communists and the National Government are quiet at the present time, trouble may flare up at any moment. It is the general opinion of unprejudiced foreign observers that there is a strong super-reactionary faction in the Kuomintang which favors a war of annihilation against the Communists right now and that this faction gains strength as the prospects of hostilities between Japan and the United States and England appear more likely. In other words, the super-reactionaries, as they view the chances of England or the United States taking over the struggle against Japan, think the present an excellent time to remove the Communists from the picture.

Whether or not civil war breaks out soon it seems to be generally agreed by observers that when the war with Japan is over the Kuomintang, if able, will go to war with the Communists. This is a discouraging prospect for those who hope for peace in China and would appear to give some grounds to a class of anti-Chinese diehards who have long contended that China is unable to control efficiently her own internal affairs.

As noted in previous reports, high officials of the National Government since the south Anhui incident in January have completely changed their former policy of refraining from discussing

the affairs of the Chinese Communists. General Ho Ying-chin, Chief of the Chinese General Staff, in a recent conversation with the writer brought up the subject of the Communists on his own initiative before any reference to them had been made by the writer. General Ho began his remarks by stating that the Communists are really so weak and unimportant that it is not worth while for foreigners to give them any consideration as their actions cannot seriously affect the course of events in China. He then went on to condemn the Communists severely for failure to prevent the Japanese in north China from constructing many hundreds of miles of railway and highway which help tighten the grip of the Japanese Army on the country. He also regretted the fact that the recalcitrant attitude of the Communists made it necessary to keep ten National Government divisions employed in watching them in Shensi alone. According to the concensus of reports many more than ten divisions are used for this purpose, but General Ho mentioned only ten. General Ho's remarks appeared to be somewhat inconsistent in that if the Communists are so weak and unimportant they can hardly be blamed for not preventing the Japanese from constructing railways and roads in north China; nor would it seem necessary to keep such a large number of troops engaged in doing nothing but watching them.

From all that the writer can gather from discussion of the Communist question with persons well informed but not violently prejudiced on the subject, the strength of the Communists lies in their ability thus far to improve to some extent the living conditions of the people in the areas which they control, principally by effecting certain reductions in taxes and rents. Students of China's social and economic problems have long agreed on the necessity of land reform in China, as it is evident that throughout the country too few of the common people own their land and that those who rent have generally to pay out too much of their income in rents and taxes. Hence it would appear a comparatively easy matter for the National Government, by instituting even a measure of reforms in the way of reducing rents and taxes, to steal most of the Communists' thunder and combat them more effectively than by the expenditure of a great amount of military force. The Chinese peasant farmer is not interested in Marxist doctrine or class struggle, but he is interested in any system of local government which can make his struggle for existence less difficult. If the Communists can do this over an extended period of time,-the writer is by no means yet convinced that they can,-it will be very difficult for the National Government to eradicate them.

6. The Burma Road.

Reports were in circulation during the month that Dr. J.E. Baker, director of American Red Cross activities in China, had been given the job by the Generalissimo of running the Burma Road, with full authority to take any action he deemed best in order to obtain the best results. It now appears, however, that Dr. Baker is not to be in full control of the road but will be only a member of a committee which will seek to increase the capacity of this important highway. It would seem unlikely that the Generalissimo would give any foreigner full authority to direct the affairs of the Burma Road as this would amount to a tacit admission that the Chinese themselves cannot operate it.

7. Matsuoka's Visit to Europe.

The visit of Mr. Matsuoka, the Japanese Foreign Minister, to Berlin and Rome with a stop-over at Moscow, has caused the Chinese plenty of anxiety, particularly the fact that in Moscow he was personally received by Stalin who ordinarily sees very few foreigners. The Chinese fear a non-aggression pact between Japan and Russia because they think it would release a large number of Japanese troops, perhaps from one to two hundred thousand, now stationed in Manchuria,

for service elsewhere. Of course the Chinese regard with equanimity, if not with pleasure, the possibility that a non-aggression pact with Russia may encourage Japan to move south to attack the Netherlands East Indies or Singapore, as such a move would not only probably serve to get the Japanese Army at least partially off their backs, but might also lead Japan into a war with the United States and England. They also know, however, that Japan is very anxious to finish the China incident and they view with much less pleasure the prospect that she may decide that it would be very dangerous to move south before the China war is settled. A high Chinese official told the writer a few days ago that if he were an adviser to the Japanese government he would counsel by all means to wind up the China incident before moving south because Japan is in no condition to carry on two wars.

The Chinese also fear that a non-aggression pact with Russia may include terms by which Russia will cease her aid to China and possibly permit the shipment of German arms to Japan across Siberia. The head of the Chinese Arsenal Administration recently expressed the opinion to the writer that while Germany might not have much raw material to give away, he thought she probably had great quantities of captured arms which she would be willing to turn over to the Japanese if it would encourage them to go to war with the United States.

8. Story of the 1940 French Military Mission to China.

Although the matter is of no importance now, it was interesting to the writer to hear from the French Military Attache a few days ago the real story of the French Military Mission which came to China in May, 1939, and left at the beginning of the European war. According to this source, the mission, which was composed of ten officers including two retired generals, never had any official status as far as was known to the French Ambassador and the French Military Attache. Such official status as the Mission possessed was, as far as the French Military Attache knew, derived from letters from the French Ministry of Industry, andthe whole matter of sending the mission was negotiated between this Ministry and the Chinese Embassy in Paris.

The French Military Attache stated that the real purpose behind the sending of the mission was the plan of certain French interests, private as well as semi-official, to build plants for the manufacture of munitions of war, including airplanes, in Indo-China. The mission was to interest the Chinese in purchasing munitions produced in these plants. It was hoped that the profits would not only enrich French interests but would provide for arming forces for the defense of Indo-China. When the war in Europe broke out, so stated this informant, plans for the erection of the munition and airplane manufacturing plants had to be abandoned and the mission was withdrawn.

The informant stated that he considered the whole affair of the mission a disgraceful one, characteristic of the government which was largely responsible for the French collapse in the war.

Military.

9. The month of March was an active one from the standpoint of military operations. The Japanese occupied a number of ports on the China coast, particularly in a strip of territory about 400 miles long on the coast of southern Kwangtung. Most of these ports were abandoned soon after being taken, but in them the Japanese either captured or destroyed not only considerable amounts of supplies, particularly gasoline and parts for motor vehicles awaiting shipment into the interior, but also large quantities of commodities such as wolfram and wood oil awaiting export abroad. Chinese military circles admit that these operations on the coast have closed to a considerable extent the leaks by which shipments of

supplies totalling more than the present capacity of the Burma Road had been trickling into China.

Beginning March 15th the Japanese employed a force consisting of the main part of two and one half divisions in a drive to the southwest of Nanchang, apparently with the object of taking Shangkao, an important Chinese War Zone headquarters in southwest Kiangsi. According to Chinese reports the Japanese never reached Shangkao although the Japanese radio broadcast claimed they at one time entered the city. The Chinese further state that bad weather prevented the effective employment of Japanese aviation while spirited counter attacks drove back the Japanese flanks, left the center exposed and forced a Japanese withdrawal. The Japanese, as is to be expected, state that the withdrawal was made after their objective had been successfully accomplished, but as in the case of a number of other "forward and back" operations in which the Japanese have engaged during the past eighteen months, their objective, unless it was the capture of Shangkao, was not clear. From the concensus of all reports it appears that if the Japanese did not suffer a severe reverse, they certainly accomplished no results to justify the considerable casualties which they suffered. Practically all Japanese troops engaged in the operation had returned to their bases in the Anyi-Nanchang area of Kiangsi by the end of March.

Beginning around the 20th of March the Japanese were active east of Lake Tai, on the Chekiang-Anhui border. Three columns operated, based on Ihing, Changhing, and Lishui. The objective appeared to be a mopping-up of Chinese forces in the area. At the time of writing, most of the Japanese forces engaged has returned to their original bases without having accomplished any visible results, and, according to reliable reports, after having suffered considerable casualties out of the ten thousand or so troops engaged.

The Japanese also operated in a drive on the south bank of the Yangtze opposite Ichang during March. The objective of this operation was to drive back Chinese forces which ever since the capture of Ichang last summer have from time to time harassed the Ichang airfield by artillery fire. The operation was apparently a success, although the troops engaged have almost all returned to Ichang. Japanese outposts south of the river, however, now hold the Chinese far enough away so that they cannot reach the air field by artillery fire.

An American newspaperman whose reports have hitherto proved reliable recently visited the Chinese forces in the Ichang sector. He states that their morale is excellent. He also states that several general officers whom he interviewed declared that they would continue resistance no matter what the politicians in Chungking might do and it was his opinion that they were sincere in their declarations.

The writer has never heard any reports to indicate that the fighting spirit of the Chinese armies in the field has deteriorated, and it is still his opinion that if the political and economic fronts in China do not collapse, and supply can be maintained, there is no reason why resistance should not continue indefinitely.

One hears frequent speculation as to what military moves the Japanese could make which might force China to consider peace. It is generally conceded that if the Japanese could place themselves astride the Burma Road by taking Kunming, the Chinese would soon find it very difficult to continue resistance. Military observers, however, generally agree that the terrain between the Yunnan border and Kunming is so difficult that it would be very

costly, if not impossible, for the Japanese to take Kunming by a drive from Indo-China. The Japanese might, however, consider it worth a try, particularly if a non-aggression pact with Russia makes troops now stationed in Manchuria available for such a venture.

Some military experts think the Japanese might attempt to settle the China incident by moving up the Han River in Hupeh, take Fancheng, and then move west to capture Hanchung, from whence they could drive north on Sian and south on Chungking. This would also be a very difficult operation if the Chinese resisted stubbornly but it is generally agreed that such a move would probably offer more chances of success than a drive from Indo-China on Kunming. Very few people think the Japanese would ever attempt to drive west from Ichang on Chungking as such an operation would necessitate the passage of much extremely difficult terrain. It would also be very difficult, if not impossible, to send transports and gunboats through the Gorges of the Yangtze if the Chinese were to put up even a show of resistance.

10. Local.

With the approach of the bombing season there is renewed talk of reducing the population of Chungking. According to the public prints, the police have decided to issue 283,469 domicile permits and all persons who do not hold such permits will be compelled to leave the city. Applications were made, according to the press, for 342,521 permits. Unless the methods used by the police to reduce the population are more effective than they were last year, very few persons may be expected to leave town until the bombings actually begin.

The recovery of Chungking since the terrible fires of August 19th and 20th, 1940, which were started by incendiary bombs and caused more damage than all the high explosive bombs dropped on the city since the war broke out, has been remarkable. The most notable piece of reconstruction has been accomplished at the Wang Lung Men, on the north bank of the Yangtze directly opposite the American Embassy. This section, formerly closely built up with the wooden shacks of the poorest element of the population, was gutted completely by fire on August 20th last year. Partly with funds donated by the American Red Cross, but mostly with money from the city treasury, the area has been completely rebuilt with inexpensive but neat-appearing houses which will be rented to those who lost their homes during the fire last year. In place of the vile-smelling alley which formerly ran through the area, magnificent steps of cut stone have been constructed which would be a credit to any city. The houses recently built may be destroyed this summer, but the cut stone will remain as a monument to the tenacity and courage of the residents of Chungking and the initiative and far-sighted planning ability of the Mayor.

Continued dry weather is causing the Chinese in the Chungking area great anxiety over the possibility of poor crops this fall. A fairly good harvest of "mixed grains" seems assured for this spring, but unless rain in plenty comes soon, the rice crop next fall will inevitably suffer. The river is unusually low for this time of year, indicating the general lack of rain in Szechuan. As food and commodity prices, after a slight drop in February, are slowly rising again, one wonders what effect a severe famine would have upon a population which is already having a hard time keeping sould and body together.

David D. Barrett,
Lieutenant-Colonel, CWS (Inf),
Assistant Military Attache.

AMERICAN EMBASSY
OFFICE OF THE MILITARY ATTACHE
CHUNGKING, CHINA.

JUN 24 1941
OFFICE CHIEF OF STAFF
MIL. INTEL. DIV.
2055-622
366
WAR DEPARTMENT

C-O-N-F-I-D-E-N-T-I-A-L

May 1, 1941

Subject: Comments on Current Events (No. 16).

RECEIVED G/2 W.D. JUN 24 1941

To : The A.C. of S., G-2, War Department, Washington, D.C.

1. Scarcity of Rice.
2. Russian-Japanese Non-Aggression Pact.
3. National Cooperative Conference.
4. Agreement with the United States for the Stabilization of the Chinese Currency.
5. Eighth Plenary Session of the Central Executive Committee of the Kuomintang.
6. Shanghai.
7. Military.
8. Local.

1. Scarcity of Rice.

A sudden and disquieting development in the economic situation occurred about April 24th when shipments of rice into the city virtually ceased. For several days there was almost no rice on sale in the rice shops although small amounts could be obtained in "black markets" at prices about double those which prevailed before the flurry began. There were some disturbances in the city due to the shortage of rice. In one case two persons were killed and several injured. The situation began to ease on April 26th when small amounts of rice appeared on the market. The price, however, was around CN$90.00 a tou (36 pounds), about CN$40.00 higher than the average before the flurry began. By the end of the month the situation had definitely improved with adequate stocks of first-grade rice being offered at around CN$75.00 a tou.

The causes of this sudden shortage of rice and the rapid rise in price are difficult to understand. From what could be learned after inquiries in official and unofficial circles, however, it appeared that reports suddenly came into circulation that all rice stocks entering the city would be commandeered for military use. This caused persons usually having rice for sale to refrain from bringing it into the city, and, as was to be expected in a matter affecting the supply of such a vital commodity, other alarming rumors developed apace and the situation grew rapidly worse.

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Copies of item 1 and 3 ONI, SD, CD

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Continued dry weather in April made it appear that there might be a short rice crop this year and this factor also contributed to the general uneasiness which precipitated the sudden shortage. Light rains on the 26th, 27th and 28th relieved to some extent the anxiety about poor crops and helped to improve the situation.

Whether or not the slight improvement in the rice situation after this particular flurry will be maintained remains to be seen. Opinions differ as to whether there is a real shortage of rice or not. The preponderance of opinion is, however, that there is no serious shortage but that a number of factors are operating which cause those who have rice stocks to hold them back from sale. Whether or not the Government will be able to take steps which will force those who are holding back rice to release it for sale is a mooted question.

It is generally believed that efforts to force the placing of rice on the market may bring the National Government into conflict with influential persons in Szechuan who have never been particularly loyal to the National Government and it is believed that it will be a real test of Chiang Kai-shek's power if he comes to a show-down with these persons.

Copies of item 1 and 2 ONI, SD, CD

File

Chengtu, although situated in the midst of a rice-producing area, is worse off for rice than Chungking. While in Chengtu during the past month the writer observed no rice for sale in grain shops and he was informed that none could be obtained except in small quantities in the "black market" at very high prices. Reports from many other cities in Szechuan, many of them in rice-producing areas, state very little rice is on sale in these places and that the question of food supplies for the people is a very serious one.

Dr. J. Lossing Buck, Nanking University, Chengtu, a recognized authority on farm economics in China, recently told the writer that it was his opinion, after a careful investigation and analysis of the rice situation, that the present high price was 84 per cent due to depreciation of the Chinese National currency. This depreciation, according to Dr. Buck, has caused a general rise in the price of all commodities in China which in turn had forced up the price of rice. Of the remaining 16 per cent, he believed eight per cent was due to a bad crop in 1940 and eight per cent to various other causes such as hoarding, poor transportation facilities, and heavy purchases for military use. Dr. Buck gave it as his considered opinion that the present high price of rice would not affect the power of national resistance as he thought it was compensated for in other ways so that the majority of the population is not much worse off than before the war.

The writer does not share Dr. Buck's optimistic view that the power of national resistance will not be seriously affected by the price of rice and he considers that the ability of the Chinese Government to keep up the struggle will depend largely upon whether or not measures can be devised to insure the sale of adequate food supplies at prices within the reach of the people. The concern of the Generalissimo over the economic situation is clearly indicated by his recent statement to the effect that the war is now 70 per cent economic and only 30 per cent military.

2. Russian-Japanese Non-Aggression Pact.

The signing of the Russian-Japanese non-aggression pact on April 13th, while it did not come as a surprise to the Chinese, was viewed by officialdom here with anything but pleasure. The worst feature, as far as the Chinese are concerned, is the possibility that the Japanese will be able to withdraw considerable numbers of troops from Manchuria for use in settling the China incident. Another possibility which worries the Chinese is that Russia may permit the passage of munitions of war from Germany across Siberia to Japan. It is considered unlikely here that Germany is in a position to supply Japan with any considerable amount of raw materials but it is thought possible that Germany may have large numbers of weapons, such as rifles and machine guns, which would be very useful to the Japanese and could easily be supplied from the huge amount of arms which Germany has acquired from the nations she has taken over by conquest or otherwise. The possible effect of the pact on continuance of Russian aid to China has also caused some concern here although the opinion is generally expressed in official circles that Russia will not stop helping China.

The day after the news of the signing of the pact was received here inquiry was made of the writer from two separate well-informed Chinese quarters as to whether Russia's action in coming at least partially to terms with Japan would possibly be followed by acts of appeasement on the part of England and the United States. Apprehension was particularly expressed that England might again close the Burma Road. These inquiries are an indication of the depressing effect which the Chinese felt from the signing of the pact.

A brighter side of the picture, as far as the Chinese are

concerned, is the possibility that the pact may tempt Japan, now that back door in Manchuria is at least partially freed from fear of attack from Russia, to move south without attempting a settlement of the China incident. Recent developments have led China to believe that a move south will bring on a war between the United States and Japan which, as far as China is concerned, is a consummation devoutly to be wished.

Most Chinese in high official circles with whom the writer has discussed the matter, are, however, of the opinion that Japan will probably make a determined effort to settle the China incident before moving south, for as they point out, and as must be apparent even to the most fanatical Japanese, to risk a war with the United States with a million Japanese troops tied down in China would be an extremely foolish move. Chinese military circles here express doubt that Japan would risk the withdrawal from Manchuria of more than four or five, or at the most six, divisions, which number they state would not be sufficient to effect a decision in the present Sino-Japanese war. It is apparent, however, that Chinese military circles are worried over the opportunity which the pact affords Japan of pushing the China war more actively and effectively than she has for some time.

The general opinion here is that Russia got the best of the pact for if Japan should be attacked by the United States, Russia is under no obligation to help her , while Japan, on the other hand, is tied up with a pledge to engage in war with the United States if the latter declares war on Germany. It is also generally believed here that the pact constitutes a threat to the United States and Great Britain because it leaves Japan in a better position to move south than she was before the agreement was signed.

3. National Cooperative Conference.

The National Cooperative Conference convened by the Ministry of Social Welfare opened in Chungking on April 4th and adjourned on April 10th. The conference was of importance because it focused attention on the rapid development of the Industrial Cooperatives. According to the report of the Minister of Social Welfare, at the end of February 1940 there were 140,418 industrial cooperative units in operation in China in which 7,353,476 persons were engaged. It is also reported that the cooperatives are now producing goods to the value of CN$20,000,000 per month. As the original investment of the Chinese Government in the Industrial Cooperatives was only CN$8,000,000, this is a noteworthy accomplishment.

There is no doubt that the Industrial Cooperatives are performing a most useful service in turning the industry and skill of the Chinese people into means of producing large amounts of valuable goods with a minimum of capital and equipment. A foreigner who devotes his entire time to the organization and promotion of the cooperatives recently told the writer that he considered them the greatest hope of China today and in his opinion aid from foreign countries could not be extended in any better way than by supporting the cooperatives and not the National Government. The writer does not subscribe to this view because it would be manifestly impracticable to make a distinction between the Chinese Government which operates the Cooperatives and the Cooperatives themselves.

In spite of the extremely useful service which the Cooperatives are now performing it is known that they are looked upon with disfavor in certain extremely conservative - perhaps "reactionary" would be a better term - Kuomintang circles and considerable time during the sessions of the Cooperative Conference was devoted to harangues by Kuomintang stalwarts on the subject of the dangers and evils of Communism.

4. Agreement with the United States for Stabilization of Chinese Currency.

The signing of the stabilization agreement in Washington on April 25th by which the sum of US$50,000,000 is allocated for the stabilization of the Chinese currency was of course received here with great satisfaction, particularly as a similar agreement with Great Britain which allots £5,000,000 for this purpose was signed at the same time. As yet, however, no particular strengthening of the Chinese currency has been noted as the result of signing of these agreements. One dollar, United States currency, is now worth about twenty-two or twenty-three dollars in local currency in Chungking and about thirty per cent less in Shanghai. The closing of the Government banks during April in Shanghai caused some weakening of the Chinese dollar, however, and it may be that now the banks have reopened strengthening effects of the signing of the agreements will begin to appear.

5. Eighth Plenary Session of the Kuomintang Central Executive Committee.

The Eighth Plenary Session of the Kuomintang Central Executive Committee adjourned on April 2nd after a ten-day session. Very little news appeared in the public prints concerning the session until it had been in session for several days, which was probably due to a desire to prevent air attacks on the city during the meetings.

The most important act of the session, as far as is known, was to effect a partial reorganization of the Government and of Central Kuomintang Headquarters. General Wu Te-chen, Minister of Overseas Affairs, was elected Secretary-General of the Kuomintang, succeeding Mr. Yeh Chu-Tsang who resigned on account of ill health. General Wu was formerly Minister of Overseas Affairs and is well known to many foreigners. He was mayor of Greater Shanghai from January 1932 to March 1937 and was appointed Chairman of Kwangtung Province in 1937. He became Minister of Overseas Affairs in 1939. General Wu is a man of pleasing appearance and personality and has a good reputation for industry and integrity in public office. The session adopted a three-year plan for wartime reconstruction and created a Ministry of Trade and a Ministry of Food. Details concerning the organization of these ministries have not yet been announced.

Dr. Quo Tai-chi, the Chinese Ambassador to Great Britain since July, 1932, was appointed Minister of Foreign Affairs, relieving Dr. Wang Chung-hui, who becomes Secretary-General of the Supreme National Defense Council. The writer has heard reports, on the truth of which he is unable to comment, that Dr. Quo favors making peace with Japan. It is believed, however, that even if he is inclined to this viewpoint it will make little difference in Chinese foreign policy as long as Chiang Kai-shek remains in control. Foreigners in diplomatic circles here will generally regret the loss of close contact with the kindly, genial and efficient Dr. Wang Chung-hui.

6. Shanghai.

The recent reorganization of the Shanghai Municipal Council by which the membership was changed from five British, two Americans, five Chinese, and two Japanese; to three British, three Americans, four Chinese, three Japanese, one German, one Hollander, and one Swiss is distinctly displeasing to the Chinese National Government, due to the belief held here that in future the appointment of Chinese members will be largely controlled by the Nanking Government, in other words, by Japan. At the time of the reorgani-

zation, two new Chinese members were appointed, both of whom are puppets. Two other Chinese members still remain who served on the Council before its reorganization and who are not puppets, but if these are forced out or lose their seats for any other reason, they will in all probability be replaced by puppets.

Chinese official circles here look upon the reorganization of the Council as an act designed to appease Japan at the expense of the National Government. It is realized, however, that the reorganization may have been preferable to a show-down with the Japanese which might have resulted in further encroachments on or possible actual occupation of the Settlement. It is of course a mooted question as to whether acts of appeasement toward the Japanese do any good or not, as it is generally felt that they will take over the Settlement whenever they feel it suits their purpose best, if they think such a step will not be accompanied by too great a risk of arousing the United States to effective counter-measures.

Observers generally agree that the principal reason the Japanese have not taken over the Settlement is that it is to their advantage to maintain the great port of Shanghai in a more or less open state. In other words the Japanese can probably make more money out of a partially open than a closed Shanghai, and while the Army - and to a great extent the Navy - is not much concerned over whether or not money can be made out of Shanghai, except for themselves, the desires of those who want to see the port kept open appear to have prevailed at least thus far. It is doubtless very irksome to many influential and important Japanese in both official and unofficial circles to see the Shanghai Settlement continue as at least partially free territory in the midst of an area which it cost much in blood and treasure to wrest from the Chinese, but thus far it would appear that the benefits of keeping the port open are sufficient to turn the balance in favor of those who favor an open port.

Conditions in Shanghai continue anything but quiet with murder, gun battles, assassinations, kidnapping, and bombings occuring with such frequency that news concerning them scarcely makes the headlines in the Shanghai papers. During April one hundred and twenty members of the staffs of the four Chinese Government banks in Shanghai were kidnapped, while bombings on the premises of these banks killed and wounded a number of people. After the bombings the banks were closed for a time and did not open until a few days ago.

A year ago it is probable that the Japanese could have taken over the Settlement without arousing any effective reaction on the part of the United States. At the present time, however, it appears that the occupation of the Settlement might precipitate a grave crisis. For this reason it seems likely that Japan will not take any decisive steps concerning the Settlement unless she is fully prepared to risk a war with the United States.

The courage of many Chinese who are either openly or secretly working for the Chungking Government in Shanghai is worthy of deep admiration. Among these are the judges of the Chinese courts in the Settlement who have thus far resisted all attempts of the Nanking Government to get them under control. These judges are subject to frequent threats from anti-Chungking quarters and live in constant danger of assassination. Their courage in continuing to carry on their duties is probably as great as that of any soldier fighting the Japanese in the front lines.

The recent death from stab wounds inflicted by one of his own men of Colonel Hsieh, Commander of the "Doomed Battalion", calls to mind the exploit of this famous organization. The battalion was left behind when the Chinese evacuated Shanghai in 1937, and although

almost surrounded by the Japanese, most of its personnel managed to escape into the Settlement across a street swept by machine-gun fire. Colonel Hsieh's body lay in state for several days and according to press reports was viewed by over one quarter of a million people. Chiang Kai-shek and other leaders of the government sent scrolls commending his bravery for display at his funeral obsequies. Madame Chiang wrote a personal letter of condolence to the widow.

The news concerning the "Doomed Battalion" brings to mind again the heroic defense of Shanghai which caused the Japanese thousands of casualties and first demonstrated to the world the ability of the Chinese to stand up against the heaviest blows which the full might of the Japanese Army was able to deliver.

7. Military.

There were few military operations of importance carried on in China during the month except the occupation of some important coast cities which the Japanese could have closed at any time but which they have for various reasons permitted to remain open. Through these cities considerable export and import trade has been carried on with the full knowledge of, and doubtless, with considerable pecuniary benefit to the Japanese military and naval authorities. The principal cities occupied were Foochow (April 22nd), Taichow (April 21st), Wenchow (April 21st), and Ningpo (April 20th). Taichow and Wenchow have since been reoccupied by the Chinese, but from all appearances the Japanese have no intention of allowing the Chinese to regain Foochow and Ningpo.

Chinese military circles state that while the loss of these important coast cities will make it more difficult than in the past to get commodities in and out of China, it is impossible for the Japanese to effectively blockade the entire coast and ways to continue imports and exports can always be found. From past experience this statement would appear to be true, particularly as it is known that both the Japanese Army and Navy are willing to permit some trade to go on, provided their palms are sufficiently greased. An American who is now acting head of the Salt Gabelle states that arrangements have recently been completed with the Japanese to ship 60,000 piculs of salt from Hainan Island to Kwangchowan in Japanese Army transports. Kwangchowan is under lease to France, but as soon as the salt is landed it will be turned over to distributors who will sell it in the interior of China where it will help the people continue the war against Japan. The report, which there is every reason to believe is correct, is an excellent indication of the veniality of the Japanese Army or Navy, possibly of both. Transporting salt in this way is certainly not the act of a Samurai or of the Japanese military and naval heroes who fought the war with Russia.

Considerably less pleasing to friends of China is another report from the source noted above to the effect that high Chinese military leaders in Kwangsi are now selling quantities of antimony, wolfram, and molybdenum to Japanese buyers in Kiangsi and are also exporting tin to Indo-China. If this latter report is correct, it supports to some extent an opinion previously expressed by the writer to the effect that the present war between China and Japan may not end in a military victory for either nation, but the Japanese may eventually come out on the winning side because a gradual restoration of trade relations between free and occupied China, and thus indirectly with Japan, may be accompanied by a gradual melting away of the fighting fronts and a slow disintegration of the Chinese armies which will permit the Japanese to withdraw most of their forces from China and still hold the best parts of the country. Trade, as the writer has remarked before, is the life blood of the Chinese, and if the Japanese

Army had had the foresight to permit enough of it to be carried on between occupied and free China, results favorable to Japan might long since have been attained which the use of no amount of armed force could have brought about.

Chinese military leaders claim to find themselves genuinely puzzled as to whether or not Japan will first attempt seriously to settle the war in China before moving south. Opinion in official circles, however, inclines to the view that if the war in the Mediterranean and Africa goes badly for Great Britain, particularly if the Suez Canal should be seriously threatened, Japan will move south and leave the China question to settle itself, as it probably would if the Japanese could take Singapore and invade Burma so as to prevent the shipment of supplies through that country into China.

8. Local.

Now that the bombing season is again at hand,- people here speak of "the bombing season" as casually as one would of spring or summer,- the city authorities are making determined efforts to reduce the population by compelling persons not engaged in useful occupations to leave the city. The campaign this year has more teeth in it than before because of the scarcity of rice. In order to buy rice most Chinese have to have residence permits. Residence permits are supposed to be issued only to those who can satisfy the authorities that they are serving some useful purpose in Chungking. There are of course loopholes in the regulations concerning the granting of residence permits, particularly for those who have money or influence, but in general the measures to reduce the population are proving more effective than in the past.

David D. Barrett,
Lieut. Col., CWS (Inf),
Assistant Military Attache.

Copies to:
Commanding General, Philippine Department.
Major Tormey, Hongkong.
File.

333-P.I.

MAH/omc

2 Enclosures

WAR DEPARTMENT
OFFICE OF THE INSPECTOR GENERAL
WASHINGTON

1926 205-3-63 1/4 G

December 18, 1925.

WAR DEPARTMENT

MEMORANDUM FOR
The Assistant Chief of Staff, G-2.

Subject: Comments affecting G-2 in the Philippines and China.

In accordance with our recent conversation, the following comments are submitted to you on the above-mentioned subject.

My stay in the Philippines included a period from the 14th of July to the 3rd of September, 1925. I visited all posts and talked with many individuals in the Island of Luzon and also visited Cebu, Negros, Zamboanga on the Island of Mindanao, and Jolo. You will find attached a copy of a memorandum which I submitted to the Secretary of War bearing upon political conditions in the Islands, and which gives the impressions I received during my stay there.

So far as I could determine, the so-called mutiny in the 45th Infantry and the Medical Regiment of the Philippines Division had little or no lasting effect. Many of the men implicated were still confined on the Island of Corregidor, and the impression I received was that most of these men were dupes of higher-ups and political propagandists on the outside of the Army.

Generally speaking, the native is making a good soldier. The only question with regard to his military efficiency was mentioned in the line of field service. Doubt was generally expressed as to whether a proper understanding of instructions could be put over; also as to the initiative of the noncommissioned officer and enlisted man and their ability to carry on, away from the immediate influence of their superior officers.

In this connection it may be of interest to note that the Philippine Constabulary is feeling the effect of the removal, by length of service and otherwise, of the old noncommissioned officer type of constabulary officer, and some of these officers have been in the Philippines so long that they are losing their efficiency. I note that General Wood recommended, in one of his annual reports, that steps be taken to authorize the appointment of inspectors such as there used to be in the Constabulary in the earlier days, and who were responsible for the high standard of efficiency of that organization.

I spent about three weeks in China, from the 5th to the 25th of September, and visited the cities of Hongkong, Shanghai, Tientsin and Peking. The present civil disturbances broke out after I left China. I was told while there that the civil war might come in October, or if it did not come then it certainly would come in the spring of 1926.

There was plenty of evidence that the disturbances in China are aided, financially and otherwise, by the Russian Soviet Government. I was told that the Governor, or so-called Governor of Canton Province is a Russian Soviet; that the Soviets had complete control and that it was this influence that was behind the boycott of the English at Hongkong and was responsible for moving the great point of commercial distribution from Hongkong to a point a short distance below Canton. This condition was having a very serious effect upon the commercial prosperity of Hongkong; in fact at the time of my visit commerce was in a very bad way, and I was told by one of the officers on the Dollar Line Ship "President Pierce" that during the two days the ship was in Hongkong Harbor- the latter part of September - 41 firms had gone through bankruptcy in Hongkong.

There was little doubt expressed in Shanghai that the uprising which occurred in May, 1925, at that place was engineered and financed largely by the Soviet Government, and I am informed that much larger amounts of gold rubles are being shipped to China to support activities in 1926 than were sent there during 1925.

There is attached hereto a memorandum, accompanied by a sketch, which was furnished me by General Connor's office. It may be considered accurate as of the date it was given me - in the latter days of September, 1925. Of course conditions are and have been in a state of flux in China, and what is said about Chang Tso-lin does not obtain at the present time. It was common talk in Peking that the so-called Christian General at that place, Feng Yu-hsiang, is under the influence of the Soviets and gets much of the money necessary to the support of his army from the Russian Soviet Government.

I stayed with Colonel Barnard in Peking for a period of five days, consequently had an opportunity to see a good deal of not only his work but that of the language officers in China, and was very favorably impressed with the work these officers are doing. Mr. McMurray, our Minister in China, spoke very highly of Colonel Barnard. He told me he put great confidence in Colonel Barnard's judgment and was in the habit of seeking his advice. He spoke very highly also of the work done by General Connor and of the good influence of the American Army - officers and men - in Northern China.

The following extract bearing on the study of Chinese spoken language by the Army officers on duty with the American Forces in China

is taken from my report of inspection of the 15th Infantry, and gives my impression of the value of the work being done there.

"The Commanding General, General W. D. Connor, instituted a course of instruction for officers in Chinese. This instruction is confined to the spoken language, the officers being thoroughly schooled in the sound and meaning of each word or expression before being permitted to consult any printed text. The instructors are selected Chinese who cannot speak English.

The value of this instruction was clearly demonstrated during the Civil War in North China in the latter part of 1924, where American officers were the only foreign officers on duty with troops able to speak Chinese. While their knowledge of the Chinese spoken language was limited,-it enabled them successfully to meet many situations not only delicate internationally, but where the lives of our officers and men seemed to be at stake.

A number of the officers have become quite fluent in the use of the spoken language; among these are General Connor, Colonel Marshall and Lieutenant Dessez, aide to General Connor. This has had much to do with the good standing of our command in China. Especial credit is due to the officers as they are doing this work in addition to their regularly assigned duties.

It is recommended that officers of the 15th Infantry who have become fluent in the use of the Chinese spoken language be given preference in the detail of language officers in China in the future."

I was sorry to find that the relationship between the detachment of Marines in Peking and the American officers in Peking, as well as the American Army Forces in China, was not what it should be. This doubtless dates from the period when General Connor was sent to China and placed in command of the American Forces in China. He naturally assumed command of the Marines, which was objected to, and while the present Marine Commander in Peking is not as deeply prejudiced as the former officers, the prejudice still continues. I spoke to General Neville in San Francisco concerning the matter but have not had an opportunity yet to speak to General Lejeune. As an instance of the feeling which exists, it is only necessary to state that while I was in Peking, I was not called upon by the Commander of the Marines, and while the Marine Inspector - a Lieutenant Colonel in rank, I believe - was on the "President Pierce" with me from Yokohama to Honolulu, he took no steps to make himself known to me during the trip.

While in Japan, our Military Attache', Major Faymonville, was most courteous to me, doing everything in his power to make my stay in Japan pleasant. I was very much impressed also with the work being done by the language officers in Japan. They impressed me as being a

hard-working and conscientious body of officers, making the most of their opportunities.

My stay in Japan, of course, was informal and unofficial, and I saw nothing of the Japanese military officials. I asked Major Faymonville whether it would be possible to arrange an informal inspection of some of the military commands in and about Tokyo and was informed by him that it would be impossible to see anything without first referring the matter to the Government here in Washington. Of course that was impossible owing to lack of time.

The feeling in Tokyo toward Americans is not altogether cordial. This is due to the barring of Japanese from our country. At a meeting of the Mid-Pacific Lunch Club, presided over by a high Japanese official, a Japanese editor who had been in the United States gave impressions of his visit in a speech, during which he made many severe criticisms against Americans, especially our Secretary of Navy.

I went by rail from Tientsin to Tokyo, crossing the straits between Fu-San and Shimonoseki on a ferry boat. During my trip through Korea I stopped over a day in Seoul and was most courteously treated by the Japanese officials there. The Government-General assigned an English-speaking Japanese Attache' of his office to me with a car, and I was taken about Seoul and shown every courtesy. I had a very pleasant call on the Governer-General and was liberally supplied with material showing work of the Japanese Government in Korea. Evidently the Japanese Government is anxious to have foreigners informed as to their work in Korea.

So far as I was able to see from my observations on the train, excellent progress was being made along the lines of cleanliness and order, especially in the work of re-forestation and construction of roads. This was plainly evident to a casual observer passing through the country on the train. The road construction which I observed paralleled the railroad and inasmuch as any kind of wheel vehicle was rarely seen, it seemed evident that the work was being done with a view to future use in case of a military emergency.

My stay in Japan was very brief, lasting only a few days while awaiting the sailing of the "President Pierce", and any impressions I have given here are of course limited by the lack of opportunity for observation.

Eli A. Helmick

ELI A. HELMICK,
Major General,
The Inspector General.

OFFICE CHIEF OF STAFF
WAR DEPARTMENT
JAN 15 1926

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2015-5-63

December 11, 1925.

MEMORANDUM FOR
The Secretary of War.

In compliance with your request, I am submitting herewith the impressions I received of conditions in the Philippine Islands during my recent inspection trip.

My stay in the Philippine Islands lasted from the 14th of July until the 3rd of the following September, and in making my inspections I traveled from Baguio in the Island of Luzon to Jolo in the southern part of the Archipelago. Besides talking with officers of the Army stationed in various parts of the Islands, I had an opportunity to visit and talk with prominent business men in Manila, in the Island of Cebu, in Oriental Negros, in Zamboanga on the Island of Mindanao, and in Jolo on the Island of the same name.

My former service in the Philippines was during the latter part of the American military occupation from the year 1901 to 1903; consequently I was very much interested in noting the progress and changes that have been made during the intervening period - nearly twenty-five years.

The features in the progress of the Islands which impressed me most were the growth of the cities, including the erection of public buildings, street improvements, introduction of sewer and water systems, construction of roads, erection of school buildings, and the prosperity evident generally throughout the part of the Islands visited.

The number of schools in cities and towns, as well as in the country, impressed me very strongly. I was also much impressed by the number of students attending schools, both boys and girls, as well as the character of dress of both sexes. The school system was being introduced when I was in the Philippines formerly, so I could appreciate the progress which had been made. In the early days all the children wore the native dress. At the present time the dress of the girls conforms to European or American fashions; the boys likewise have adopted, more or less, American fashions of dress. The attendance at school seemed large everywhere, except among the Moros, and there it was reported to be increasing. I visited a number of the schools and observed the instruction given by the teachers. There was generally

evident a keen interest on the part of both teachers and children. I was not favorably impressed, however, with the progress being made in instruction in English. The pronunciation was not good, and the reason for it was evident, namely, there are very few American teachers employed in the schools. Practically all are Filipinos and as a result the pronunciation has not only not improved, but perhaps has deteriorated somewhat since the early days when a very much larger proportion of the teachers were American.

The extent of road construction was very marked also, and generally roads were in very good condition, being well located and drained, and surfaced generally with water-bound macadam. One can drive now from the north end to the south end of Luzon, and in addition can cross the Island in many places by automobile, traveling at a satisfactory rate of speed. The same is true of the other islands of the Archipelago which I visited, namely, Cebu and Negros to a considerable extent, and to a less extent in Mindanao and Jolo.

One has no difficulty now in traveling anywhere in the Philippines without an interpreter, as understandable English is spoken by a large percentage of the population.

I spent several days in Zamboanga and Jolo, which are Moro provinces, and conferred with the local Governors at these places. It cannot be said that the conditions amongst the Moros are satisfactory. They resent control by Christian Filipinos, and I heard rumors of mistreatment of Moros by the Philippine Constabulary. The Governor of Zamboanga is a Filipino; the Governor of Jolo is an American who has been in the Islands for many years, who has served amongst the Moros during much of that time, who understands the Moros and the Moro problems, and who is well thought of by the Moros. The statement was made generally that in case the Filipinos were given their independence, trouble would at once arise between the non-Christian tribes of the south and the Philippine Government. There were, however, no visible signs of unrest at the time of my visit; especially was this so in the Island of Jolo, where uprisings on the part of the Moros had been most recent. The construction of roads throughout the Island of Jolo has done much towards the pacification of the Island and the maintenance of order, and it may be said generally that road construction is one of the most important features in the development and control of the Islands, whether under American control or under native government.

It is probable that the majority of the people are in favor of Philippine independence, because there has been a general and persistent propaganda carried on to bring this about. Every business man, however, with whom I talked, stated it would be a great mistake to give the Filipinos their freedom at the present time, and many of them held the view that they never will be fitted to govern themselves. I

am satisfied that were the people correctly informed and made to understand the advantages of the present government, they would oppose a change. All with whom I talked expressed the view that the one thing which would do more than anything else to settle the present unrest in the Philippines with regard to independence would be for the United States to pronounce definitely its policy on this subject. The present uncertainty discourages investment and retards progress. In this connection, the last words General Wood said to me on leaving Manila were that the United States should make this statement of policy at once, and that, in his opinion, the Filipinos are not fitted for self-government.

Another matter that was called to my attention is the restriction upon capital in the development of the country. For instance, in the development of rubber production, a large amount of capital is necessary and a great extent of country is required. Under the present restrictions, this development is made difficult. There are at the present time on the Island of Basilan, adjacent to Zamboanga, two rubber plantations being developed. I visited one of these and was most favorably impressed with the progress which has been made. The Island of Basilan is well adapted to the growth of rubber and I was told that there are large areas in parts of the Island of Mindanao equally well adapted to this growth. In view of the scarcity of rubber available for commercial use in the United States, it would seem advisable that greater encouragement be given to the production of rubber in the Philippines.

I noticed an increasing interest shown in the development of cocoanut culture and the manufacture of cocoanut oil, shredded cocoanut and copra products. A number of large mills were erected during or just after the period of the World War, at which time there appeared to be an over-production with the result that some of these mills at the present time are not operating, but this depression is believed to be temporary only.

Among the recommendations made by General Wood to me were the following:

Authority for the Governor-General to appoint, without the necessity of confirmation by the Philippine Senate, Secretaries of the various departments, the Attorney General, the Chief of Constabulary and Colonels of Constabulary. At the present time the only officers in addition to the Governor-General, who are not subject to confirmation by the Philippine Senate, are those appointed by the President of the United States, namely, the Vice-President, who is also Secretary of Public Instruction and Public Health, and the Comptroller and Deputy Comptroller.

The Federal Statutes at the present time provide that all funds collected as Internal Revenue taxes on products of the Philippine Islands

imported into the United States, be turned into the general fund of the Philippine Government. The Governor-General was in favor of changing this so as to provide that such part of these United States Government funds be reserved as may be necessary to pay the salaries of the officials directly representing the United States and appointed by the President and the Governor-General without the consent of the Philippine Senate.

While there was criticism of General Wood's administration on the part of the politicians, every one, politicians and all, honors and respects him, and I am convinced that the great mass of the people of the Islands - and all know him for he goes about constantly and is most approachable - feel that their welfare is safe in his hands, and I am also convinced that, were they given the truth, and were it possible to get an unbiased expression of opinion from the great mass of the people in the Philippines, they would be found to be strongly in favor of the present government.

ELI A. HELMICK,
Major General,
The Inspector General.

E-2

[redacted] 1-- 2203-3-634

JAN 15

2

WAR DEPARTMENT

[redacted]

Head of the Manchurian (Fengtien) party. With Feng Yu-hsiang supports the present Provisional Government. Is supported in Manchuria by the Japanese. Position in Manchuria is difficult because of increasing rivalry between Soviets and the Japanese. Was a bandit. Owes his present prominence to the fact that during the Russo-Japanese war he led partisan bands against Russian detachments and lines of communication. The Japanese rewarded him by securing his advancement and by payment of considerable sums of money. However, they are not satisfied with the concessions made to them in Manchuria by Chang Tso-lin. Chang has never given effect to that portion of the 21 Demands that applied particularly to Manchuria.

Chang is an opium addict and a heavy drinker. He is nationalistic and anti-foreign. Has been very ill recently. Is about 60 years old. Is a bitter personal enemy of Wu Pei-fu and Feng Yu-hsiang. Is restrained from open warfare against the latter by a present lack of sufficient funds. Total strength under his command 250,000 men.

Feng Yu-hsiang - "The Christian General".

Has risen to his present position from the ranks. An excellent disciplinarian and divisional commander. Shares with Chang Tso-lin responsibility for maintaining present Provisional Government. Formerly one of the chief lieutenants of Wu Pei-fu and the Chihli Party, whom he betrayed in October 1924 when he left his position in northwest during the war against Chang Tso-lin and marched down and captured Peking, overcoming his opposition from Wu Pei-fu. Is supported in his present position by the Soviets and I believe him to be completely under their control. Is anti-foreign and particularly anti-British. With the Soviets he has been intriguing in Japan against Chang Tso-lin but without success. Total strength under his command approximately 250,000.

Tan Yen-kai.

The radical wing of this party and the communists control the province of Kwangtung and particularly the city of Canton which is now a Soviet state in miniature.

Hsiao Yao-nan.

Formerly an adherent of the Chihli Party. Is now endeavoring to maintain an independent existence in Hupeh until he can determine with which of the great militarists, Feng or Chang, to throw in his lot.

Chao Heng-ti.

Position in Hunan province, previous affiliations and present attitude almost identical with those of Hsiao Yao-nan.

Sun Chuan-fang.

In the winter of 1924-25 through treachery to Chi Hsieh-yuan, his former ally, succeeded with Chang Tsung-chang, one of the Manchurian army leaders, in driving Chi out of Shanghai and the province of Chekiang. Is in a position in that province more or less comparable to that of Hsiao Yao-nan and Chao Heng-ti in their provinces.

[redacted]

A member of the conservative wing of the Kuo Min Tang who has maintained an independent existence and government in Yunnan for some years. Has recently been defeated in an attempt to invade Kwangtung and suppress the radical and communistic elements in that area. It is improbable that he can ever be induced to join his province to that of a united China except upon his own terms, which would include his elevation to the presidency. An able soldier and administrator. Educated in Japan.

G-2
JGMcI
OFFICE CHIEF OF STAFF
MIL. INTEL. DIV.
JAN 13
1926 2055 684

January 12, 1926.

Subject: Comments on Philippines and China.

To: The Inspector General of the Army, Washington, D.C.

1. This office desires to express its appreciation of your very informative memorandum on conditions in the Philippines and China. It has been studied carefully and found to contain much of interest and value to this Division.

FILED
JAN 13 1926

James H. Reeves,
Colonel, General Staff,
A. C. of S., G-2.

for

Number of copies .....

Copy No .....

OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION
MAR 25 1918
2055-1
WAR DEPARTMENT

COPY

January 10, 1918.

Subject: Report of Major Walter S. Drysdale, on the Military Situation in North Manchuria.

The Honorable

Paul S. Reinsch,

The American Minister,

P E K I N G.

Sir:

I have the honor to report as follows upon the Military Situation in North Manchuria:

Two Thousand Russian soldiers (618th and 559th Regiments) were disarmed by Chinese troops on December 26th, 1917, and escorted to the Siberian border. From Manchuria Station they were escorted as far as Chita by Cossack troops. The deported Russian troops were all natives of Siberia and it is presumed that they returned to their homes.

Since December 26th, 1917, about 5,400 additional Russian troops have been disarmed and sent to their homes in Siberia. All Russian soldiers disarmed and removed showed Bolshevik sympathies, were considered a menace to good order and proper government in Harbin and in the zone of the Chinese Eastern Railway, and could not be depended on to protect the Allied interests in Manchuria.

The entire Russian force now in Manchuria is four (4) troops of Cavalry (560 men near Harbin), one-half ($\frac{1}{2}$) a Battery of light artillery, (70 men at Harbin), and 500 Cossacks in the vicinity of Manchuria Station but at present just beyond the frontier. These Cossacks are not under the control of the military authorities at Harbin but entered Manchuria from Siberia to suppress the Bolshevik uprising at Manchuria Station. Besides this there are about 4,800 Russians now employed in the Railway shops and offices. These men are organized into companies, have their own officers and barracks. These men are now being used as telegraph operators, switchmen, engineers, etc. employed by the Railway authorities

but are in no way a military force except for police emergency purposes.

The Chinese troops in the zone of the Chinese Eastern Railway are as follows:

1. On both sides of the Railway bridge (Harbin, Sungari) one Ying.
2. In the barracks of the late 618th Russian Drujina, West of the Railway bridge (Harbin Station) two Ying.
3. In the barracks of the late 559th Russian Drujina, End of Bolshoi Prospect (Harbin, New Town) two Ying.
4. At the Munitions Depot (Old Harbin) one Ying.
5. At Fuchiatien (Harbin, Chinese Town) three Ying.
6. At Ku Hsiang T' un (two miles west of Harbin) two squadrons of cavalry, about 500 men.
7. Distributed among the various stations along the Railway line Eastward of Harbin(toward Pogranitchnaya) five Ying.

The total is 14 Ying exclusive of Cavalry, or roughly 7,000 men belonging to the 2nd, 3rd, and 4th Kirin Mixed Brigades. One Ying is about 5000 rifles.

Manchuria Station and the Western Section of the Railway line are garrisoned by Chinese troops from Tsitsihar. These troops number over (2,000) two thousand men.

The Kirin Taoyin states that other Chinese Government troops to a total of 100,000 men will be available for service in Manchuria.

The Chinese troops now garrisoning the Railway Zone are being used as a police force and are having little difficulty in preserving order.

Russian officers and the Russian people as a whole are strongly antagonistic to a continuance of the Chinese Military Police, but as long as the present preponderance of Chinese troops continues there is little likelihood of a serious clash between Chinese and Russians.

There are frequent indications of friction between Chinese troops and Russians but it seems certain that in case Chinese troops are withdrawnfrom the Railway Zone the Bolshevik element would return, and that it would be impossible to insure proper protection to the Allied interests in Manchuria unless Chinese troops were replaced by other Allied forces.

Such a move (the introduction of an Allied force into Manchuria) would undoubtedly be welcomed by the Russian residents, and a proper Allied force would undoubtedly give better protection to Allied interests in Manchuria than is possible with Chinese troops. At present however there is little fault to find with Chinese control as now applied.

A possible menace to Allied interests in Manchuria, in case of a conclusion of peace negotiations between Bolsheviks and Germans, is the German and Austrian prisoners of war known to be in the Baikal region and in Eastern Siberia. Forty-two thousand (42,000) German and Austrian prisoners were known to be in the Irkutsk and Transbaikal regions and in Eastern Siberia on April 1, 1919.

No information has reached Harbin that German or Austrian prisoners in Eastern Siberia are being released or are being organized by Bolsheviks. I feel that the only way to get authentic information regarding conditions in Eastern Siberia is for me and an interpreter to visit Vladivostok via Irkutsk, Blagovestchensk and Habarovsk. This plan has the sanction of Mr. Moser, the Consul at Harbin.

A plan originated by several Russian officers at Harbin to organize an international force in Manchuria with the object of invading Eastern Siberia to restore order there and to take the control of Siberia from Bolshevik sympathizers is under investigation and a separate report covering this subject will be forwarded later.

I have the honor to be,

Sir,

Your obedient servant,
W S DRYSDALE,
Major, U.S.A.
Special Military Attache, to the American Legation, Peking.

30266

Number of copies 2 — 5 Encs.

Copy No 1

OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION

In reply

Refer to .....

HEADQUARTERS PHILIPPINE DEPARTMENT,
INTELLIGENCE OFFICER
MANILA, P. I.

MAR 27 1918

2055-2

WAR DEPARTMENT

February 16, 1918

From: Department Intelligence Officer.

To: The Chief, Military Intelligence Section,
War College Division, Washington, D.C.

Subject: Transmittal of correspondence from Peking Legation.

1. There are enclosed herewith copies of letters from Minister Reinsch and from M r. C.C. Lincoln which are self explanatory. Mr Lincoln is a member of the Legation staff who has been authorized to correspond with this office and furnish any news of military importance.

2. There are also enclosed herewith copies of the reports of Major Drysdale, Military Attaché, from Harbin dated January 10th and January 16th. These reports were made the subject of a cablegram from this office on February 13, 1918.

David P. Barrows
Major, Cavalry, National Army

4 encl.

REC'D M. I. B., O. C. S. MAR 25 1918

Noted in W. C. D., O. C. S.

Number of copies....2....
Copy No .....1.....

Rec. 1
OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION

MAR 20 1918

2055-2
WAR DEPARTMENT

Legation of the
United States of America

Peking,

January 14, 1918.

Dear Major Barrows:

It was a great pleasure to me to hear from you through Captain Stanley. I am sending this reply through Mr. F. L. Belin, my Private Secretary, whom I should like in this way to introduce to you.

Mr. Belin will be able to give you an account of the present situation in China, and will be able to tell you methods by which further information which you desire can be obtained.

I have asked Mr. Balin to make an investigation into the relations between the Philippine Chinese with their mother country, particularly in connection with revolutionary movements, and shall highly appreciate any information in this matter which you may help him to secure.

I may go to Manila for a few days to bring back Mrs. Reinsch, who is also proceeding to Manila at this writing, and am looking forward to seeing you at that time.

With the kindest regards, I am,

Faithfully yours,

(Sgd.) Paul S. Reinsch

Major David P. Barrows,
Headquarters Philippine Department,
Manila, P. I.

Number of copies...2...
Copy No .....1.....

Enc. 2
OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION
MAR 27 2055-2 8161
WAR DEPARTMENT

Legation of the
United States of America.

Peking

January 14, 1918.

Dear Major Barrows:

I had the pleasure of meeting Captain Stanley at the hotel on Saturday night, and received from him your much esteemed letter. I had received your former letter, and was just about to write again when I met the Captain. We had a very enjoyable evening together last night, and he told me of the importance of the work which has come under your charge. I want to assure you that I will do all I can to help you here. I have spoken to the Minister about it, who I understand also received a letter from you, and he will be very glad to have the Legation keep you informed of all things which might be of military interest.

Unfortunately the Legation has no Military Attaché, nor has it a secret service, but our Naval Attaché (Capt. I. V. Gillis, who I believe used to be a Naval Commander in the Philippines) keeps in close touch with political and military conditions throughout China, and through his Assistant, a young American who speaks Chinese fluently and travels extensively through the provinces, will be in a position to cooperate with your Department in a very helpful way, I think. I wish you could either come to Peking or he could go to Manila, so that you might personally outline some

definite system of cooperation. If you can come to Peking on your intended trip to China, as you suggest, I think it would be profitable.

I am going to send this note by Mr. Balin, the Minister's volunteer Private Secretary, who is leaving tonight with Mrs. Balin and Mrs. Reinsch for Manila, and unfortunately I will not have time to write out much in this letter which will be of interest, but I shall appoint myself a vigilance committee to pick up and keep notes on what bits of reliable information I can and transmit them to you periodically. Mr. Balin will probably be able to describe conditions better in conversation with you than I could by writing, for he is a mighty keen fellow and has been on the very inside of things here, but I will jot down a few items that you might want to ask him about.

1. The Naval Attaché's Office tells me that despite precautions there are probably quite a few German agents passing through Manila on the way to Canada and the United States. Of course all consular officers in China are instructed not to visa passports of Germans and Austrians for travel to the United States, but passports are stolen, false identities are established, and in other ways some get through.

2. Although it is felt by all the Legations here that German propaganda exists throughout China, it is hard to fix on any definite cases or sources. There is no doubt however that the German business men in China are on pretty good terms with the Chinese. Mr. Julean Arnold tells me that this is particularly true in the South, where the Germans are better thought of than any other foreign nationals.

You will already have received at Manila one of our most pronounced German propagandists, Mr. Gilbert Reid, who was deported from China at the request of the Chinese Government for literary productions which favored Germany.

3. Mr. Belin will be able to tell you of the situation at Harbin, which place, as you know, is the stepping stone between Siberia and North China. For a time it seemed that

the Bolshaviki were going to open up transportation through there to the Germans, and since there are, I believe, about a million German prisoners of war in Russia, it would seem that this barrier ought to be kept pretty well closed.

4. It is very strongly felt by all the Americans, British and French in China, that the Japanese need pretty close watching. There is little doubt that they have taken advantage of every opportunity to assist their own interests. Mr. Belin will be able to tell you about the despatch of the Japanese war vessel to Vladisvostock, when it appeared that some one would have to take control of that place. Personally, I do not feel that I have been here long enough to be able to express an opinion as to whether or not the Japanese are honest in their designs, but the belief here is so overwhelmingly unanimous that they are watching for the chance to grab what they can when the hands of the Allies are tied, that one cannot help but believe there is some truth in it.

You have of course heard of their efforts to purchase the dock-yards at Amoy (a mighty strategic point) and in which their plans were only frustrated at the last moment by the Chinese Government itself making the purchase.

5. The wireless station here at the Legation is able to pick up telegraphic propaganda which is sent out daily from Berlin. I do not know whether your station is able to get the same messages, but if not we might be able to help you in that way.

Number of copies....2....
Copy No .....1.....

Enc. 3
OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION
MAR 27 2055-R 8161
WAR DEPARTMENT

Personal and Confidential.

Legation of the
United States of America,
Peking,
January 30, 1918.

Dear Major Barrows:

I enclose herewith two despatches from Major Drysdale, recently appointed Special Military Attaché to this Legation, dated respectively January 10 and January 16, reporting on conditions in North Manchuria, which may be of interest to you.

Since these reports were written there has been some complaint on the part of shippers that goods destined westward from Vladivostock have been held up at Harbin and other points. Investigation has shown that this has been due to the attempts of the Chinese Government to prevent materials from being sent over the Trans-Siberian line to ultimately fall into the hands of German agents or the Maximalists. The Chinese Customs Officials seems to have been successful in establishing a rather rigid prohibition of the shipment of goods of any kind westward from North Manchuria. I understand this action was taken at the request of the British Minister here. Steps have been taken to permit the shipment of goods, however, which are destined to the allies, but only on condition that assurance can be given that they will actually reach their destination.

I suppose you are interested to know, as we all are, whether China is going to send troops to France. For a long time Mr. Reinsch has urged Washington to lend its support to such an expedition, and it seems that now the State and War Departments are in favor of the plan, but since the expedition will have to be partially financed by the United States, it seems that the matter is still on the table in the Treasury Department. France and England have been hesitant too about asking for the expedition on account of the shortage of shipping space. From the attitude that Washington has been taking of late I think that this is the most serious obstacle in the way now. Another state of affairs has developed within the last few days, however, which promises to be a further cause for delaying the expedition. Chinese politics are in a very uncertain condition, and it is believed that we are on the edge of another outburst of some kind, which will mean an entirely new reorganization at Peking. On Saturday President Feng suddenly left here for Shantung, with instructions for a division (Chinese) of 10,000 troops to follow him, and it was believed by the Ministers here, I think, that he would proceed on to Nanking, and perhaps join the South, or try to effect some sort of conciliation. An upheaval was expected at Peking every moment. He returned yesterday, however, after having gone only to Shantung, and the real purpose of his hurried trip is still unknown to most of us. In any event, the situation is such that there is no government in power at present which can guarantee to the United States that any funds advanced, or arms supplied, for an expedition to France will be used for that purpose and not employed for personal gain by some of the leaders or parties...

For these two reasons - lack of shipping space and lack of a dependable government at Peking - the hope of sending an early force to France is not very strong....

(Sgd.) C. C. LINCOLN.

Number of copies 2

Copy No 1

Enc. 5

OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION
MAR 27 2055-2 8168
WAR DEPARTMENT

Copy for Major Barrows. January 16th, 1918.

Subject: Report of Major Walter S. Drysdale on the subject of Raising an International Force in Northern Manchuria.

The Honorable
Paul S. Reinsch,
The American Minister,
Peking.

Sir:-

I have the honor to report as follows on the project of raising an international force in Northern Manchuria:

On December 29th, 1917, Major General A. Potapoff, of the Russian General Staff proposed a scheme to the American Minister at Peking of raising an international force in Northern Manchuria for the purpose of restoring order in Siberia, and gaining control of the Transsiberian Railway, thus helping the Russian troops at the front by better-securing proper supplies along the Transiberian Railway.

General Potapoff suggested that a force of from five to ten thousand troops be raised in Northern Manchuria, that this force be accompanied by troops representing the Allied powers but that the main fighting force should be Russian. His idea was that for the scheme to be successful it must have the support of the Allied Governments.

General Potapoff suggested the possibility of using the arms and equipment now in the hands of the Russians in Manchuria for equipping this Russian force, but stated that the supplies now in hand were entirely inadequate and that the scheme would necessarily have to be financed by the Allied powers. He suggested however the possibility of using the Boxer indemnity as a source of financial support for the project.

General Potapoff stated that there would be little difficulty in organizing a force of five thousand men at or near Harbin, and that he was satisfied that as soon as the scheme was given support by the Allied powers and this force moved westward through Siberia that the Russian Cossacks in Eastern Siberia would join it, and that it would soon number fifteen or twenty thousand men.

When I arrived at Harbin I was given by the American Consul, Mr. Moser, a memorandum outlined by Colonel Pekhlivanoff, Commander at Habarovsk, for re-establishing order in Siberia. The memorandum is appended to this report.

On January 8th, 1918, a committee consisting of five officers and one civilian, all Russians, called at the American Consulate in order to outline a scheme very similar to the one proposed by General Potapoff. These gentlemen were a self appointed committee who voluntarily disclosed the outlines of

their scheme to raise an International force in Northern Manchuria.

The scheme of this committee was to raise a force of seven thousand (7,000) Russian troops in Northern Manchuria, and that this force be raised to twenty (20,000) thousand men by the addition of a force representing the Allied powers. Their idea was that the entire force be commanded by some Russian officer not yet selected and that the Allies would furnish whatever arms, equipment, clothing and money that would be needed to successfully carry on the project. They stated that the equipment now on hand was mostly old and unserviceable and was entirely insufficient and that arms and equipment would have to be furnished in equipping even the Russian contingent. The committee further stated that they had not the specific authority either of Lieutenant General Horwath, the Russian administrator of the Chinese Eastern Railway, or of General Samoiloff, the Commander of Russian troops in Manchuria to discus the scheme, but their tacit consent was implied. An estimate of the number of Russians available and the arms and equipment necessary was given to the American Consul at this interview and is appended herewith.

The estimate shows that the number of Russians available are about seven thousand men, whereas the entire Russian force now in Manchuria is four troops of cavalry (560 men near Harbin), one half a battery of light artillery (70 men at Harbin) and five hundred Cossacks (500) in the vicinity of Manchuria Station. This force of Cossacks are at present just beyond the frontier, but might be increased to a force of six (6,000) thousand Cossacks if furnished with proper equipment and money.

In the estimate furnished by the committee there is shown a force of 4,000 Infantry as Russian troops available. This refers to a force now being organized by the Russian Railway Administration as a Railway Guard. This force now has about 200 officers and 100 men and is slowly being increased by the enrolment of men thought not to have Bolshevik sympathies.

If the statement of the committee is true that these men are now being organized as the nucleus of a Russian army that is to regain control of Manchuria and Siberia, then the idea suggests itself that the real motive of the organization is inimical to the Chinese or to some other Allied power, otherwise the approval of the Allied powers would be requested.

However both General Horwath and General Samoiloff gave the inference that the force was being raised as a Railway Guard and for no other purpose, but in case that was true and the Allied powers consented to furnish supplies they would be in the position of aiding in organizing a Railway Guard for the Russian Administration of Northern Manchuria only.

The committee further stated that General Dutoff with at least 50,000 men is now operating on the border between Russia and Siberia, and that this force is now actually occupying Chelyabinsk on the Transiberian Railway, and that an armed force moving from Manchuria into Siberia would aid General Dutoff in his operations toward Moscow and Petrograd.

The idea of the Committee was that if an armed force wholly Russian were to be organized in Manchuria it would be

taken as a counter revolution and thus fail to get the support of the Russian people here, but that a force backed by the Allied powers would attract the Russian inhabitants of Manchuria and Siberia and thus better insure success.

The Committee further stated that should the Allied powers be interested in the scheme the details of the project could be taken up with Prince Koudacheff, the Russian Minister at Peking.

No discussion of the political questions effecting the success or failure of these schemes (for it appears that different Russian factions have different schemes) is attempted, but it seems certain that it is impossible for the Russians in Manchuria in their present state of demoralization to organize an efficient fighting force even with the consent of their leading officials. The Russian people, including officers and troops, seem to be so completely disorganized that it seems impossible for them to organize an efficient force and it is believed unwise to give Allied support to any project involving Russian control.

On the other hand if the Allied powers considered that the conditions in Russia and Siberia warranted such an undertaking and the project had the active support of the Allied powers, and the Allied powers themselves organized a force under the control of some specially selected officer, it seems certain that some such scheme would have an excellent chance of success in gaining control of the Transiberian Railway and consequently of Siberia.

I believe that a force of 20,000 men properly organized and equipped and backed by the Allied Governments would be offered little armed opposition in Eastern Siberia and that large numbers of Russians in Manchuria and Siberia would join such an expedition after it was once organized and started into Siberia.

I have the honor to be,
Sir,
Your obedient servant,

W. S. DRYSDALE,
Major, U. S. Army,
Special Military Attaché to the
American Legation at Peking.

Enclosures:
As stated.

I approve the opinions here
expressed:

C. K. MOSER,

American Consul.

MEMORANDUM OF SCHEME

OUTLINED BY COLONEL PEKHLIVANOFF FOR RE-ESTABLISHING ORDER IN SIBERIA.

Colonel Pekhlivanoff, who is the Officer Commanding the Priamur District appointed by the Provisional Government, called on the afternoon of the 29th December, and stated what was his plan for re-establishing that government in Siberia, with the assistance of the authorities at Harbin.

The plan was, roughly, as follows:

To collect a force in Eastern Siberia which should gradually work westwards and re-capture the various towns from the Bolsheviks. In the Colonel's opinion, it would be advisable to take the highest authority appointed by the Provisional Government in Eastern Siberia or in the Chinese Eastern Railway Area, and give him temporarily the position of Governor of Priamur, Ussurisk and the adjoining districts in Siberia. As a matter of fact, at present the senior such authority is General Horwath. The General has in his depots a large quantity or arms and ammunition, and the departure of the Bolshevik Drujinas will make an economy in the Chinese Eastern Railway's budget of several million roubles yearly. If the General cannot provide sufficient financial aid, it is proposed to ask Allied assistance, which would have to be applied for in any case as far as materials and supplies are concerned. The Chinese Eastern Railway has, however, yet another source of supply, the Boxer indemnity.

The Colonel proposes then, having secured the help of General Horwath and the Allies, to bring the good elements among the soldiers in the Railway zone together, and to create a sort of "Bataillon Sacré;" this last has already been begun, but with the enlistment of ex-officers, etc., who are forming a small corps of guards. With this body of men it is hoped to form a nucleus of a new army, to which is to be added the Cossack corps of Ussurisk and the Amur, who after deducting those already mobilized, can bring up about 2,000 men, while the Za-Baikal Cossacks will give about 6,000 men. The Colonel has firm confidence in these men, and is himself quite ready to place himself under General Horwath's command if the scheme goes through.

All connection with Western Siberia being cut off, the only means of working to save Russia is through the East, basing movements on directions from London, where the Russian Ambassador is Acting Minister for Foreign Affairs.

E S T I M A T E S.

The strength of the forces desired should be about 20,000 men.

Number of Russians available is as follows:

1. Infantry, 5 battalions, 4,000 men.
2. Cavalry, 4 companies, 600 men.
3. Artillery, 630 men.
4. Railway men.
5. Telegraph operators.
6. Sappers.
7. Men to operate machine guns on armoured trains and motor cars, about 1,700 men
8. Aviators.
9. Telephone operators.

Total about 7,000 men.

INTERNATIONAL ASSISTANCE.

List of necessities:

1. Armoured train consisting of 4 cars and engines equipped with mounted machine guns.
2. Six armed motor cars, of which 4 are equipped with machine guns and 2 with mounted guns.
3. Forty machine guns mounted on horses or carts, with full equipment including cartridges.
4. Batteries: 4 guns of 5- or 6-inch and 10 guns of 3-inch, with a good supply of shells.
5. Two aeroplanes, with additional parts.
6. Two lightly constructed motor cars.
7. Two to twelve thousand hand grenades.
8. Twenty-five field telephone operators, two central stations with wiring for 40 or 50 versts, and all the other necessary equipment. (Field service company additional from C. A. C.)
9. A few additional operators with all necessary equipment.
10. Full equipment for sappers.
11. Instruments for repairing roads, telegraphs, etc.
12. Sanitary equipment such as wagons, stretchers, medicine, etc., etc.
13. Four thousand rifles.
14. Six hundred cavalry carbines.
15. Six hundred artillery carbines and three hundred swords.
16. Various arms and pistols.
17. For officers; since they are not equipped with other arms, six hundred revolvers are necessary.

2 Cys.

Number of copies 2

Copy No 1

OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION
MAR 29
2055-3
8156

In reply refer to .....

HEADQUARTERS PHILIPPINE DEPARTMENT,
INTELLIGENCE OFFICE
MANILA, P. I.

WAR DEPARTMENT
MAJOR O. H. MASON
G. C. Pic

March 8, 1918.

CAPT. FLEMMING
LIEUT. ELSER
Noted W.E.W.

From: Department Intelligence Officer.

To: The Chief, Military Intelligence Section, War College Division, Washington, D.C.

Subject: Report of American Minister to China.

1. The American Minister to China, Mr. Paul Reinsch, arrived in Manila on the 2nd instant and he has furnished me with the enclosed copy of his dispatch of February 10th on conditions in China, upon which I submit the following comment.

2. The disturbed political condition of China with the probability of civil war between North and South and the weakness of President Feng have military bearings of interest to the Allies in that the situation makes it difficult for China to either send military aid to France as she has agreed to do under certain conditions, or to participate in intervention in Siberia, should international action of this nature be resolved upon.

3. It appears that the Far Eastern situation has had too little consideration from our own or the allied governments. Mr. Reinsch's statement in that "There has been unfortunately on the side of the Liberal Powers an absence of all efficient, constructive encouragement and assistance to China to those forces and in behalf of those principles of public life and policy for which millions of British, Americans and French are now shedding their life blood elsewhere. Unless this can be changed, the issues which are now being fought over in Europe will again have to be fought over in other regions where it would have been possible to develop constructively the forces of peace, order and industry inherent in Chinese life."

4. Attention is also invited to the statements of the Minister with respect to the dubious influence of Japan. It is certain that there are elements in Japanese public life which do not desire China to recover.

If the war which has already produced unexpected situations, were to result in a Germany dominant over Russia and a Japan dominant over China, the force of the situation would move Germany and Japan to mutual support, since neither could secure its object alone. An alliance between these two autocratic and

sympathetically disposed empires, with the resources of Asia at their command, would give rise to a force much more menacing than anything which the allied nations and America have so far been called upon to oppose.

5. There is also enclosed a memorandum of a conversation with Minister Reinsch on the subject of Siberian intervention, which was made the subject of cablegram from this office of August 8th.

David P. Barrows
Major, Cavalry, National Army.

2 encl.

RECD M.I.,E.,G.C.S. APR 26 1918

NUMBER OF COPIES: 1

HEADQUARTERS PHILIPPINE DEPARTMENT,
INTELLIGENCE OFFICE
MANILA, P. I.

Cue. 1
OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION

March 8, 1918.

APR 29 2055-3 8161
WAR DEPARTMENT

Memorandum of conversation with
Mr. Paul Reinsch, American Minister to China.

He states that position of Russian General Staff, as communicated in cablegram from this office of March 5th, to the War College Division, is correct with respect to necessity of Siberian intefvention being international. Says it would have been possible earlier to have arranged for American leadership in such a program. Fears that now we are anticipated by Japan. France, and after her Great Britain, feeling in desperation that any force that could be injected in resistance to German advance in Russia was to their advantage, have urged that Japan be given a free hand, which freedom of action Japan demanded as the price of her assistance.

The United States has feared the unfavorable consequences to Russian friendliness to the Allies of Japan's sole and unlimited action in Siberia, but according to the last newspaper reports (and Mr. Reinsch has no other information since leaving Peking) the United States has also acceded to Japan's demands for an exclusive right of action. He believes the results may be utterly disastrous to America and the Allies, and will wholly separate European Russia and attach her to Germany.

He authorizes me to quote him to the War College as holding to the following views: that action in Siberia should be as completely international as possible, with open aims of restoring normal conditions in Russia in behalf of the Russian people still regarded as friendly to us. The means for restoring order is the Siberian Railway Administration whose transport is essential for distributing the necessities of life to the Russian inhabitants as well as the materiél indispensable to them for a continuation of their military resistance. We should aid and supply this administration, using our corps of railway experts already on the scene. That such military support as is needed to restore the fighting power of the Russians should be international in character - the more international the better.

Mr. Reinsch will cable the State Department in the above sense and will advise them of his cooperation with the office here. Mr. Reinsch further states that unfortunately it has been impossible to work in close communication with the American Ambassador at Tokyo because of difficulties of communicating without dispatches passing through Japanese hands. No courier service has been provided.

Mr. Reinsch agrees that there is high probability of an eventual understanding between Germany and Japan for the domination of Russia and China; that neither of these powers can accomplish its aims unassisted and that the force of circumstances will bring them together for the control of Asia. He considers that Japan is today, in view of the martial preparations of the world, no better than a third rate power. An alliance with Germany and a firm grasp upon Siberia would at once restore her to a position of first rate importance.

He assures me of every help at his disposal in securing information in North China and Siberia, and expresses the view that if America does not send in troops with the Japanese there will be even more cogent reasons for exercising our undoubted rights of seeking fullest information of the Siberian operations.

David P. Barrows.

Major, Cavalry, National Army.

Enc. 2

NUMBER OF COPIES. 1

OFFICE CHIEF OF STAFF
MIL. INT. BRANCH
EXECUTIVE DIVISION
APR 29 2055-3 8161
WAR DEPARTMENT

Confidential No. 1905 from Peking February 10, 1918.

x x x x x x

The contrast between the conciliatory policy of Acting President Feng and the desire for military gestures on the part of the Northern Tuchuns, reported on in my number 1788 of December 7, 1917, has become more marked as time has passed. While unity of action is outwardly maintained, there is known to be deepseated hostility between the militarists under General Tuan and the followers of the Acting President. It is to be regretted that no way was found for taking General Tuan Chi-jui out of politics by giving him a dignified national mission abroad in connection with war action. As it is, General Tuan has again been completely identified with the Northern militarists, particularly the Anhui faction, and bitter feeling has been aroused against him in the center and south of China.

Notwithstanding their professed ardent desire for military action against the South, the Northern Tuchuns have this far been satisfied with making continuous exorbitant demands for money on the Peking Government, the funds supposedly to be expended for military preparation. In Hunan, their forces have retired from Changsha to Wuchang at the cost of about twelve million dollars and of a great deal of suffering to the country through which these military coolies passed.

The Acting President, while apparently desirous to have a conciliation with the South and always to leave the door open for peaceful settlement, has been weak in that he has not been able to formulate and carry out a clear, definite policy. When the so-called "National Council" was first convoked, it might easily have been possible to get the country to agree to a new election law for parliament, if a definite time for such election had been fixed. Instead of that, General Feng gave the

impression that he was supporting the National Council, and it was believed that he would not oppose an attempt to have it displace parliament, an action most distasteful to the Couth. The Acting President's traditional compromising tactics were not adequate to the present situation.

The crisis seemed to be impending when the President, on January 25th, suddenly decided to leave Peking. It was formally given out that he was undertaking an inspection trip, with a view to persuade the "militant" Tuchuns to take more active and concerted measures against the South. This is perhaps the most convoluted inversion that Chinese politics has yet produced; that the "militant" Tuchuns, supposedly champing at their bits, should need presidential persuasion, and that it should be the pacifist President who started on such an errand is at first sight reminiscent of "Alice in Wonderland"; and yet this explanation of the reasons for the President's trip was solemnly given out to the diplomats by the Minister of Foreign Affairs.

The fact was that neither the President nor the Tuchuns really wanted to fight. The Tuchuns were making quantities of money without any danger to themselves. Both however, were in danger of losing face. Chinese politics has become more and more theatrical, and as the figures on the stage stamp about and try to make a deep impression by terrifying gestures, so in the minds of both the President and the Tuchuns, a terrifying gesture against the South was needed, and it was hoped that this might do the business. From the point of view of the Acting President, who, after all, was supposedly at the head of the whole country, the action of the South involved a certain loss of face; the South, while willing to talk peace, was rather uncompromising with respect to the conditions. So it is possible that the President honestly believed that if a military show could be made in Hunan,

a compromise might be more readily reached. This at any rate was the inner explanation which was given of his policy. As for Tuchuns, they also desired a terrifying gesture against the South; but they distrusted the President; before beginning to gesture, they demanded that he should issue a mandate declaring public hostilities in force against the South. After that they would act. So it might be understood that the President took his journey of inspection for the purpose of making the Tuchuns agree to the terrifying show of military action against the South without first demanding the President to issue a mandate of absolute hostility, which was against his underlying instinct of compromise.

The President started on this trip, got as far as Peng-pu, where he met General Ni Sze-chung, the most notorious of the "militant" Tuchuns, and returned to Peking. It was given out that his trip had been eminently successful, that he had persuaded the Tuchuns to take common action, and that even Li Hsun had promised to send a brigade against the Hunanese. Mandates have been issued, but so far there has been no result except further appropriations of public moneys to the "militants."

The early return of the President is, however, not believed by anyone to be in accordance with his original program. It is believed that his real objective was Nanking, where, in touch with Military Governor Li Hsun, he might hold the balance of power between the North and the South. The Consul at Nanking and Mr. E. M. Lamb, the representative of the Naval Attache, report from the accounts of eye-witnesses that Ni Sze-chung met the Acting President at Peng-pu, accompanied by the larger part of his military forces. He is said to have addressed the Acting President in the strongest language, and to have laid before him cogent reasons for returning immediately to Peking. The President had with him at the time only the military guard he was carrying

on his own train. He accepted the suggestion of Ni Sze-chung.

At the present time the position of the Acting President in Peking is weak and full of embarrassment. Rumors of all kinds abound, including the perennial one of an impending restoration. From such information as I have from influential Chinese in close touch with the situation, it would appear that the faction which is grouped about General Tuan Chi-jui and which uses his name and reputation as their banner, is thinking seriously of ousting General Feng Kuo-chang from his position, and by an act of the so-called "National Assembly," placing Hsu Shih-chang in his place. Liang Shih-yi, Chow Tze-chi and Chu Chi-chien, with their minor associates, have just been pardoned. Liang Shih-yi is returning from a prolonged stay in Japan. It is most likely that the Tuan faction is attempting to make a combination with this so-called "Communications Clique," counting on the ability of these men and the support which they supposedly might get from Japan, to strengthen the Tuan faction sufficiently to enable it to hold its own against the South. Through Tsao Ju-lin and General Tuan Chi-kwei, the Minister of War, Japanese support had already previously been arranged in the matter of the ten million yen loan and the furnishing of large quantities of arms. The extent of the support given and to be given by the Japanese Government to the Tuan faction is, as will be known to you, one of the burning issues in Japanese politics at present.

Considered from the point of view of government and authority, the present cabinet is the weakest which has existed during the last five years, at least. The cabinet is weak through having no policy and through being divided on account of the deep-seated incompatibility of its component parts. The orders of the government carry no authority beyond Peking. On the financial side, the weakness is most pitiable, and is due to the exhaustion of the

treasury through the demands of the "militant" Tuchuns. Notwithstanding the large proceeds of the remitted Boxer Indemnity, the government banks are still in a state approaching bankruptcy. The Minister of Finance, Wang Ko-min, formerly compradore of a French bank, noted as a gambler, has not only been unable to carry on the finances of the country out of the abundant income of the customs and the salt revenue, but he has borrowed large sums from Japanese sources, in some cases with the mortgaging of specific valuable property and rights, in all cases to the injury of the Chinese financial independence.

Turning now to the Southern provinces, aside from the military success of General T'an Hao-min in driving the Northern troops from Changsha and Yochow to the north, the most important development is an attempt to create a confederated council or commission for the constitutionalist provinces. The men who are now mentioned as likely to compose this council are the following: Military, Tang Chi-yao, Cheng Pi-kwang, and Lu Yung-ting; Foreign Affairs, Wu Ting-fang; Finances; Tong Shao-yi; and Peace Negotiations, Tsen Chun-hsuan. In connection with this proposal, I have the honor to enclose Canton's despatch No. 62 of January 21, 1918.

The project would involve the elimination of Sun Yat-sen from primary influence. In the words of Mr. C. C. Wu, the object of the leaders of this movement is not permanent separation of North and South, but an effort to bring about more complete cooperation and unity in the movement for constitutional government. The Southern leaders have protested to Japan against loans to the Peking Covernment. They are also planning to make representations with respect to the use of the customs and salt revenues, demanding assurances that these funds will not be used for factional militarist support. The chief difficulty with the Southern movement thus far has been lack of unity. The suspicion has been,

that while having the advantage of the North in standing for an important principle of public policy - constitutionalism and representative government - yet the individual military leaders of the South were probably animated by motives similar to those of the North, particularly the desire to maintain and fortify their own personal positions. In fact, all of China is in danger of disintegrating into feudalities under military men who do not even have the merit that they can fight but who do their work through crooked intrigue and corruption, hiring coolie forces as a matter of face and gain to themselves. If this spirit can be overcome in the South through encouragement for loyal cooperation in common cause, the movement will gain enormously in strength. In fact, any group of permanent leaders who would be bound together by loyalty to each other and a truly public motive, would be irrestible in China. As it is, each man stands alone, fights for his life, wealth and official existence.

The importance of Nanking as a pivotal point in Chinese politics has become even greater than before. Military Governor Li Hsun is the youngest of the Tuchuns. He has therefore been accessible to ideas of national action which the older men are too ossified to receive. He too, has to fight for his authority over his troops and provinces, because every possible means is brought to bear to under-mine it. He is stigmatized as too ambitious for his youth, as inexperienced, and as desirous of playing his own game. But to all observers who stand outside of the intrigues of Chinese politics, he appears to be a man who has caught sight of the possibility of a national policy which the others had not even conceived. He belongs to the so-called Chihli group of the Northern military party, of which General Feng Kuo-chang and General Tsao Kun, the Tuchun of Chihli Province, are also members. But he has of late tried more and more

to disengage himself from the intrigues of the Northern military parties and to assume the position of a mediator between the North and the South, trying to develop a national policy to which they could all rally. The dirtiest methods of Chinese intrigues have been used against him in an effort to undermine him, particularly through buying his subordinate commanders. The only action that a "militant" Tuchun is formidable in, is bribery; in this bloodless underground warfare they are thoroughly at home.

Since the return of Acting President Feng to Peking, the break between General Li Hsun and the Northern Tuchuns has become almost open, although it was announced, as reported above, that Li Hsun had agreed to furnisha brigade for the expedition against the South. From information from various reliable sources, I am convinced that General Li Hsun has now made up his mind that if there is to be any fighting it is not to be against the South, but against individual corrupt militarists who continue to disturb the peace of the country for selfish motives. With this in view, General Li Hsun recently sent a circular telegram to all the military governors, a copy of which is herewith enclosed. The telegram puts the double inquiry as to whether the recipient desires to fight, and if so for what cause or principle: "If there is going to be a civil war, that war should be waged for a just cause and with a definite and clear objective.... In the past both peace and war have been made without purpose, without consideration for the country, and recklessly." General Li Hsun through this telegram is attempting to arrive at a clear statement of the issue, and to isolate those who desire to continue the present confusion without public motives.

Another step which has been taken is an invitation on the part of the Kiangsu provincial assembly to all other provincial assemblies to send delegates to Nanking in order to discuss the

possibility of national peace and concord. All but the provinces of Anhui, Chihli, Honan and Sinkiang have already accepted this invitation. As a brief summary of the situation from the Nanking point of view there is herewith enclosed an extract from a letter of Consul J. Paul Jameson, dated February 9th. As Consul Jameson implies, General Li Hsun must fear Japanese opposition, partly because he is known to be on the side of representative institutions and desirous of following in the foot-steps of America, partly because he is engaged in a constructive national work which if successful would make Japanese intermeddling futile. It will be impossible to overcome General Li Hsun in a fair contest because in his public policy he will have the whole Chinese people behind him, who are aware of the corrupt and inefficient officialdom which has been saddled upon them for so long, but the methods which will be used by his opponents will be underground and corrupt.

It is possible that the Japanese Government, realizing that the Tuan faction is no longer in any way representative of China as a nation, may feel it too great a task to support it further, and may for its part be willing to let new constructive forces operate. It is for this reason important that the American Government should thoroughly understand the local situation in China, because international public opinion in such matters is still forceful.

Many factors are to be blamed for bringing China into the pitiful political condition which has been my unpleasant duty to describe above. They are primarily the absence of the ideal of public service among the high Chinese officials, who believe themselves forced for self-preservation to subordinate every consideration to that of getting money for themselves and their retainers; then there comes the political inexperience of the Chinese people,

whose admirable qualities are manifested in business and social life and in the government of the local communities, but have not yet developed a sense of national organization; there is the unfavorable outside factor of Japanese influence, which unfortunately seems to have encouraged and aggravated disorganization with a view to having the condition of China manifestly become so hopeless as to require guardianship; but there has also been, unfortunately, on the side of the liberal Powers, an absence of all efficient, constructive encouragement and assistance in China to those forces and in behalf of those principles of public life and policy for which millions of British, American and French are now shedding their life-blood elsewhere. Unless this can be changed, the issues which are now being fought over in Europe will again have to be fought over in other regions, when it would have been possible to develop constructively the forces of peace, order and industry inherent in Chinese life.

There are enclosed with this despatch copies of certain public pronouncements, and of articles illustrative of the political situation.

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OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.
1918 JUN 4
2055-17
WAR DEPARTMENT

WAR DEPARTMENT
EXECUTIVE DIVISION, GENERAL STAFF
MILITARY INTELLIGENCE BRANCH
WASHINGTON

TELEGRAM

Peking,
Dated June 1, 1918.
Received June 1, 8:35 a. m.

C O D E

Milstaff,

Washington.

No. 8, June 1, 10 p. m.

(?) Chinese laborers sent tp western front from China proper by British government 97,000; by French government 40,000 laborers and 1,500 specialists.

From French Indo-China by French government 50,000 laborers and 15,00 specialists.

C U T R E R.

Copies to
3 Chief, Military Intelligence Branch.
1 Director, War Plans Division.
2 M.I.2

hjn

Copy to C of S, State & WPD
6/4/18

WAR DEPARTMENT
EXECUTIVE DIVISION, GENERAL STAFF
MILITARY INTELLIGENCE BRANCH
WASHINGTON

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.
1918 2055-36 JUL 18

WAR DEPARTMENT

M.I.B.

JUL 18 1918

TELEGRAM

Peking,

Dated July 16, 2 p.m.

Received July 18, 7:20 a.m.

MILITARY INTELLIGENCE BRANCH EX. DIV. G.S. JUL 18 1918

C O D E

Milstaff,

Washington.

No. 12, July 16, 2 p.m.

Passports here controlled by foreign nations over their own nationals. System not effective on account of failure neutrals to insure proper supervision and on account ease forgery. At instance of Allied powers Chinese Government contemplates controlling enemy movements by means of travel passports. Proposed system will probably be ineffective on account ease forgery, operations enemy agents here not materially lessened by travel restrictions. There is a scheme for interning leading enemy suspects now under consideration. Counter system of espionage in China must certainly include provisions for keeping enemy suspects under observation and reporting their activities. To create effective control

CONFIDENTIAL COPIES TO:
Chief of Staff. W. P. D. State Dept. Cable Office M. I. 2. Capt. Martin.
7/18/18

WAR DEPARTMENT
EXECUTIVE DIVISION, GENERAL STAFF
MILITARY INTELLIGENCE BRANCH
WASHINGTON

TELEGRAM

-2- Peking

Dated July 16, 2 p.m.

No. 12.

control $25,000 gold are needed immediately.

One division Japanese troops reported mobilizing in north Manchuria probably for use in Siberia.

Number of Chinese organized troops in Manchuria over 20,000.

French authorities here have instructions from French Government to organize one battalion French troops in China for use in Siberia immediately.

When practicable I am discussing with all legations and naval attaches plan to cooperate with naval, diplomatic and consular representatives with a view to mutual exchange of information and cooperation in obtaining same.

DRYSDALE

mep

CONFIDENTIAL COPIES TO:
Chief of Staff. W. P. D. State Dept. Cable Office M. I. 2. Capt. Martin.

P—16670

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.
AUG 19 1918
WAR DEPARTMENT

2055-5-36

File FW 2055-36

HA-Cable #12 (?)

Peking,

Dated July 16, 2 P.M.
Recd. July 18, 7:20 A.M.

Extract fr. 10214-181 (2)

One division Japanese troops reported mobilizing in North Manchuria probably for use in Siberia.

Number of Chinese organized troops in Manchuria over 20,000.

French authorities here have instructions from French Government to organize one battalion French troops in China for use in Siberia immediately.

DRYSDALE, (M/A, Peking, China.)

[See Letters of Instructions to Military Attachés.]

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.

Number of Copies..... 3 ..... LIEUT. [illegible]
M.I.2.

Copy No..... 1 .....

2055-39

1918

WAR DEPARTMENT
LIEUT. NELSON

SUBJECT REPORT ON RECENT PLAGUE, WITH SPECIAL REFERENCE TO THE USE OF CHINESE LABORERS IN EUROPE.

JUL 27 1918

From M. A. (Assistant). NOTED: 96 M.I.2.

No. 1560. *Date* June 14th, 1918., *19*

Replying to Adv. Cablegram No. 8 *Date* May 27, 1918., *19*

1.- Following is a copy of a letter received from the Dean of the Union Medical College of this city, who has devoted considerable study to the Chinese plague.

"Dear Sir:-

Mr. Greene has handed me your letter of June 10th requesting information concerning the plague, especially as to what effect the recent plague might have upon the future use of Chinese laborers in Europe. In a word I may say that I cannot conceive of any way in which the recent plague epidemic could render inadvisable or dangerous, from the public health standpoint, the use of Chinese laborers in the future. The disease is not harbored in the human body except during the act of disease, which is practically always fatal. I would refer you for a discussion of the subject to the report of the International Plague Conference held in Mukden in 1911. If you have no copy of this I shall be glad to loan you one. The War Department might, if it so desires, confer on this subject with Professor Richard P. Strong, Harvard Medical School, Boston, Mass., and with Dr. Oscar Teague, Quarantine Laboratory, Health Officer's Department, Rosebank, New York. These two were the American delegates at the International Plague Conference which followed the epidemic of 1910-11. They also did considerable research work during the epidemic and Dr. Strong was editor of the report referred to.

I have ready for the press a report of the recent epidemic in Shansi province and will send you a copy when it is printed.

I shall be glad to be of further assistance in this matter.

Faithfully yours,

(sgd) Charles W. Young."

2.- The report on the recent epidemic in Shansi province mentioned above will be forwarded as soon as it is received.

Binding Margin.

2-1

JUL 23 1918 60
23
NOTED:
M. I. 2. CAPTAIN VIEWED

In reply
refer to .....

HEADQUARTERS PHILIPPINE DEPARTMENT,
INTELLIGENCE OFFICE
MANILA, P. I.

CAPTAIN VIEWED
OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.

June 11, 1918.

1918 2055-46

AUG 12

From: Acting Department Intelligence Officer.

To: Chief Intelligence Branch, Washington, D.C.

WAR DEPARTMENT

Subject: Sino-Japanese Military Agreement.

1. The following is the text of the recent Sino-Japanese defensive or military agreement to meet the German danger through Siberia, as made public in Chinese papers:

Art. 1. In view of the penetration of enemy influence into the eastern territory of Russia, and of the likelihood of the peace of the two contracting parties being disturbed thereby, China and Japan mutually agree actively to undertake the obligations of war participation by measures designed jointly to guard against the action of the enemy.

Art. 2. The two countries shall mutually recognise and respect the equality of the other regarding position and interests in carrying out joint military measures.

Art. 3. When it is necessary to take action based on this agreement, orders will be issued by both China and Japan to their troops and people, calling on them to be frankly sincere in dealing with each other in the area of military operations; and the Chinese officials shall cooperate and assist the Japanese troops in the area involved so that there may be no hindrance to military movements. Japanese troops shall on their part respect Chinese sovereighty and shall not cause any inconvenience to the Chinese people by violating local customs and traditions.

Art. 4. Japanese troops in Chinese territory shall withdraw from China as soon as war is ended.

Art. 5. If it be found necesary to send troops outside of Chinese territory, troops will be jointly sent by the two countries.

Art. 6. The war area and war resposibilities shall be fixed by mutual arrangement of the military authorities of the two countries as and when occasion arises in accordance with their respective military resources.

Art. 7. In the interests of convenience, the military authorities of the two countries shall undertake the following affairs during the period necessary for the execution of joint measures:-

1. The two countries shall mutually assist and facilitate each other in extending the means of communications (post and telegraph) in connection with military movements and transportation.

2. When necessary for war purposes construction operations may be carried on and the same shall be decided, when occasion arises, by mutual consent of the chief commanders of the two countries. The said construction-operations shall be removed when the war is ended.

3. The two countries shall mutually supply each other with military supplies and raw materials for the purpose of jointly guarding against the enemy. The quantity to be supplied shall be limited to the extent of not interfering with the necessary requirements of the country supplying the same.

4. Regarding questions of military sanitation in the war area the two countries shall render mutual assistance to each other.

5. Officers directly concerned with war operations shall mutually be sent by the two countries for cooperation (the two countries shall exchange staff officers for military cooperations?). If one party should ask for the assistance of technical experts, the other shall supply the same.

6. For convenience; military maps of the area of war operations will be exchanged.

Art. 8. When the Chinese Eastern Railway is used for military transportation, the provisions of the original treaty relating to the management and protection of the said line shall be respected. The method of transportation shall be decided as occasion arises.

Art. 9. Details regarding the actual performance of this agreement shall be discussed by mutual agreement of the delegates appointed by the Military Authorities of the two countries concerned.

Art.10. Neither of the two countries shall disclose the contents of the agreement and its appendix, and the same shall be treated as military secrets.

Art.11. This Agreement shall become valid when it is approved by both Governments after being signed by the Military representatives of the two countries. As to the proper moment for the beginning of war operations, the same shall be decided by the highest military organs of the two countries. The provisions of this agreement and the detailed steps arising therefrom shall become null and void on the day the joint war measures against the enemy end.

Art. 12. Two copies of the Chinese and of the Japanese text of this agreement shall be drawn, one of each shall be kept by China and Japan. The Chinese and Japanese texts shall be identical in meaning.

2. In connection with the above the following criticism of the reported agreement, appearing in Millard's Review for May 25, 1918, will be of interest.

JAPAN'S HAND IN CHINA

The Sino-Japanese military and naval pact for "joint defence measures" against the "common foe" has now passed from the stage

of mere discussion into the realm of reality. Henceforward, among other things, Chinese soldiers are to be officered by Japanese, arsenals, mines, dockyards, railways and telegraphs are to be controlled by Japanese experts, and a footing is to be secured by Japan in the political, commercial and industrial world of China such as surpasses the wildest dreams and fancies of Japanese exploiters but four years ago, before the present war plunged the statesmen of Europe and the United States into a state of distraction and preoccupation so far as Far Eastern affairs are concerned. The recent visits of Japanese military and naval deputies who came to China one after another to prepare the sod for this scheme of political domination of China by Japan have, after all, been crowned with the completest success. The sumptuous banquets given by these Japanese emissaries to the Chinese authorities have not been left unrewarded. Captain Kabayamaleft P eking hastily for home by the evening train on the 17th to convey the joyous news of the signing of the pact to his Emperor and Government with the least possible delay. There is no denying that the transaction is a great political triumph for Japan. Credit must be given her for having selected with scientific precision and exactitude the psychological moment for the execution of her scheme, for she well knows that America, who has been trying to keep a watchful eye on affairs Chinese with a view to serving the best interests of China as well as the Treaty Powers alike, is at this particular moment far too absorbed in the task of helping the Allies to win the war to obtain any but the most cursory and superficial view of happenings out here in the East. Reuter's message reporting the nature of the official reception accorded in Washington to the conclusion of the Sino-Japanese pact bears out the above statement. Washington has officially declared itself as holding the opinion that the new arrangement between China and Japan is purely in the nature of a defensive measure. Could anything be further from the truth?

The false envisagement by Washington of the scope and inner meaning of the pact just signed shows how completely it has been misled by interested parties. Washington is of the opinion that the pact is purely a defensive measure. Defence is usually required against some tangible danger. But there are no visible indications of any danger to China. The much-advertised danger of a Russo-German menace to China via Siberia has been proven to be a myth by the investigations of competent American military observers on the spot. There is no excuse for such a pact being entered into for the simple reason that no danger exists in the sense in which the pact is conceived. The mere fact that the terms of the pact are shrouded in secrecy serves to reveal that there must be something in it that cannot bear to see the light of day. No details of the arrangement made are to be published, for the present at all events, despite the clamorous

demands of the whole nation as expressed through the United Chambers of Commerce, the Chinese students who have returned from Japanese educational institutions by way of protest against the conclusion of the pact, the student strike in the Government University in Peking, in which some 2,000 students are involved, the outcry in the Chinese press and the protests registered even by reactionary provincial military leaders who, in spite of their reactionary tendency, still find a state of vassalage for China exceedingly unpalatable. It is reasonable to assume that Chinese students, many of them not too well off, would hesitate to sacrifice their careers if there were not the soundest reasons therefor. Their attitude is sufficiently explained by the statement made by a leading student: "If we must sacrifice our official careers by taking this stand, we can rest assured that if we did not oppose these iniquitous demands on our country, we very soon would have no careers, since we would have no country." The strident tone in which the whole country has been clamoring for the terms of the pact leaves no doubt of the intensity of the national indignation. The utter lack of patriotism on the part of the Peking authorities is only equalled by the subtlety of the excuse fastened upon for non-publication of the terms of the treaty. They hold that as the arrangement is purely military, the divulgence of its terms, even in the barest outline, would afford the potential "enemy" information of a valuable character and thus defeat the very end in view, and the case of Britain and Belgium vis-a-vis Germany has been cited as being on all fours with the present question. The terms of the pact have not only been kept secret from the Chinese nation, whom they concern most, but knowledge of the terms of the pact does not appear to have been vouchsafed even to Japan's Allies. The "preservation of the peace of the Far East", which is mentioned as the sole basis for the present pact, and which incidentally was fastened on by Japan as her justification for the capture and subsequent retention of Tsingtau instead of being retroceded to China, the only legitimate owner of the territory, is a matter of interest to all Allied nations, and considering that, for instance, Great Britain and the United States jointly can dispose of a considerable fleet in these waters, there could be no conceivable objection to admitting them to cognisance of the terms of the pact. It would seem to be the most natural thing in the world for the two Governments - China and Japan - to communicate the completed agreement to the representatives of the Allied Powers, so as to enable them to make such dispositions as they may think necessary. It will be interesting to see what excuse the Japanese Government can fabricate to withhold the terms of the pact from her Allies.

Although the maximum of concessions have been wrung out of China by this pact, the use of the word "mutual" or "reciprocal" seems to have been a source of great satisfaction to the Chinese negotiators, who naively explain that there can be no derogation of

Chinese sovereignty so long as there is a brave show of China being treated on the basis of equal footing with Japan. Notwithstanding, however, these pleasant sophistries on the part of the Mandarin intellect, the fact remains that, in the final analysis, the effect of the pact is to castrate China as a political entity and as a factor of potential assistance to the Allies in this war. Already, the Chinese Government has notified all the provincial authorities by means of a circular message that on account of the internal trouble in the country the Government has decided to postpone sending a military expedition to Europe, the fact of the matter being that by the terms of one of the more vital clauses in the Sino-Japanese pact, troops may only be dispatched to Europe on a joint basis, and Japanese troops to Europe to prevent China doing likewise. The dullest intellect cannot fail to comprehend that Chinese assistance to the Allies is finished for the duration of the war. Even a superficial and casual examination of authentic published versions of the pact suffices to reveal that the myth of the Russo-German menace has been eagerly fastened on for eventually swarming China with Japanese conscripts. Article 6 of the agreement, with studied foresight, leaves the war area undefined, as it merely sets out that "the war area and war responsibilities shall be fixed by mutual arrangement of the military authorities of the two countries....." This clearly leaves a loophole for Japanese troops to be landed in any part of China, and there is nothing to prevent a large body of Japanese soldiers being stationed in Peking itself on the supposed ground, for instance, that the Capital is threatened by a Russo-German invasion! Such an invasion of Peking can be manufactured as easily and as readily as the one which has been made an excuse for the conclusion of the present pact. incidental to the "joint defence" measures, a host of other sweeping concessions has been pledged to Japan by the Peking "government", such as extension of posts and telegraphs, railway construction at the discretion of the Japanese military authorities, military supplies and contribution of raw materials by China, exploitation of arsenals, mines and dockyards and exchange of military maps of the "area of war" - of which full use can be made by any unfriendly Power should occasion arise in future. All this is for the lofty purpose of "jointly guarding against the common enemy". The person who fails to see in this pact the thin end of the wedge is either a knave of a fool. With admirable finesse, the Japanese Government has effectively muzzled its Chinese dupes from disclosing the contents of the agreement and its appendix on the plausible plea of their being "military secrets". The provisions of the agreement and the detailed steps arising therefrom are to become null and void on the day the "joint war measures" against the enemy end. As to when the day is to arrive when such "joint war measures" may be said to have ended is a matter that lies, of course, solely with Japan. She is at liberty to postpone the period indefinitely if she so desires.

There is something monstrous, cynical and unclean about the forcing of a secret pact on an unwilling nation. Peking has undoubt-

edly overreached itself this time, and it seems only a matter of time when it will have to pay the penalty. The Japanese Government has given every ocular evidence of being the most reactionary in recent history, with quite a definite predatory tendency. It has been said that Tokio can get anything done in China through its Chinese agents. This is leterally true. The conduct of the Peking Government does not materially differ from pawning the country and putting it up for sale. If the Government in Peking were really inspired by love of their country and were really loyal to the Republic, as they never tire of professing, there could only be one course open to them - they would refuse to affix their signatures to fatal documents that sign away the resources of the land. "Ah!" the Government might exclaim, "that would be certain to incense the Japanese Government. Japan could swarm Peking with her conscripts in a very short time!" To this there can be but one reply: "Let her do so. But the responsibility will be hers. She will have to justify before the world such an act of overt aggression". The responsibility of the Chinese Government would cease with its refusal to be a party to unrighteous and piratical transactions, and by the very fact of its refusal, its patriotism will have been demonstrated. But it lacks the requisite backbone for taking such masculine action. What's more, it lacks the patriotism which would force any patriotic government to refuse to sign away the birthright of a nation. And supposing only supposing - that the Chinese Government had the patriotism and the courage to say "No!" to demands that go to the very root of Chinese sovereignty and national dignity, it is an open question whether Japan would care to risk the present and future antagonism and ill-will of the Allied Powers by an overt act of aggression. Of different stuff was Yuan Shih-kai made. This man, in spite of his inordinate craving for a crown and his appetite to toy with the bauble of kingship, at least had the saving grace of patriotism. That is why he was so cordially hated by the Japanese. At the time of the 1915 Japanese demarche, he stood as firm as a rock and refused to budge an inch. He simply refused to barter the sovereignty of his country in spite of the allurements offered by the Japanese. It is absurd for the present regime in Peking to advance the plea that its hands have been force - that it has surrendered only under duress. No power on earth can force the Chinese Government to sign a State document if it doesn't want to. The Teutonic hordes in the summer of 1914 were not able to vanquish the spirit of the handful of Belgians who stemmed the German tide. But the Belgians were patriotic. We are right in concluding that the so-called Chinese Government cedes the most vital resources of the country to an alien power because it wants to - because it places party interests above national welfare. And we are also right in concluding that inasmuch as the cession of these important national resources is against the feeling and expressed sentiment of the nation, the transaction whereby such cession is made rests only on the irresponsible act of an irresponsible set of men, and not on the collective will of the people - the only true test of validity for state transactions affecting the rights, liberties, happines and prosperity of

an entire nation. What proof can the PPeking militarists bring forward to show that they are the lawfully constituted Government of China and that they are qualified to represent the Republic? None whatsoever. Apart from technical qualifications, the Peking Government has not even the qualification of common patriotism to entitle it to represent the Republic.

The question naturally arises: Assuming that Japan attains her heart's desire and wrings out of China the maximum measure of her desiderata, what will Japan's position be at the conclusion of the war in Europe in relation to the Allied Powers? Will the latter submissively resign themselves to the fait accompli which will then confront them or will they subject the motives of Japan and her mode of action to a searching scrutiny? What will be the disposition of the Allied Powers towards Japan when they discover that she had exploited the Allies' pre-occupation in Europe in order to advance her own selfish interests in the Far East at the expense of her Allies? Japan is a signatory to the series of international pacts solemnly pledging the adherence of the Powers to the oft-mentioned principle of the "Open Door" in the Far East and the preservation of China's territorial integrity and independence. How is she going to justify to the Powers a transaction that constitutes in principle a reversal of that doctrine, even though Japan's latest transaction in the Far East may be seemingly above reproach by reason of compliance with diplomatic formalities, which, of course, have nothing to do with the spirit of the transaction. The Powers - more especially the Power through whose aid and goodwill Japan has risen to greatness - will be inclined to look not so much on the letter as on the spirit of the ~~of the~~ present transaction. Japan cannot affect to view with indifference the present and future attitude of the Allied Powers towards her. She cannot afford to sacrifice their friendship and goodwill. In other words, the Allied pPowers are vitally essential to the further growth and progress of Japan. Her prosperity is conditional on an unmarred continuance of the good relations that have hitherto subsisted between her and the Allied Powers. And if this goodwill and friendship now seem perilously near destruction, it is only because of a political aberration in Japan as to her best interests. Japan ought to be the best judge of her own interests. Commonsense and foresight ought to tell her, shout to her in stentorian tones, that her best interests do not lie along the path of temporary political advantage but along the path of permanent Allied goodwill. The voice of the Allies is going to count after this war in the councils of the world. It must count, otherwise the sum of their sacrifices in this struggle will have come to naught.

It seems fairly clear by this time that the motives animating the Chinese Government at the time it declared war on Germany were frivolous ones. It undoubtedly hoped to derive personal profit out of the affair. It was a question with them of "How much can we get out of it"? not "How far will national interests be served thereby?" So far, the only result of the war declaration appears to have furnished an excuse for

the conclusion of the Sino-Japanese pact. While the Government in Peking is engaged in promulgating an Enemy Trading Act which it has not not the slightest intention of enforcing, and while preparations are being made in the Capital for the parliamentary election farce to take place in the early part of June, the Allies are hurrying their steps towards that peace conference which is fated to settle the destinies of nations. China does not seem to be striving for a distinguished part in that transaction. The internal struggle here still progresses. There is nothing standing in the way of internal peace except the selfish interests of the politicians. The resources of the country are being dissipated by the military and a corrupt officialdom. The present is one of the most humiliating periods in the history of this country, no less than saddening, what with fighting, plague, famine and floods. At the very moment when Europe is struggling to abolish bureaucracy, a sinister attempt is being made to entrench bureaucacy in this country. So long as this state of affairs lasts, China must continue to play a smaller and yet smaller role in world politics, because her political career is so involved with constant changes of names unknown in the Chancelleries of Europe and the United States, that it is almost impossible at a distance to follow it. Her internal military conflicts arouse neither admiration nor respect. The world to-day is only interested in accomplishments. The lure of potential possibilities may be revived after the war, but it holds no interest now. The only accomplishment that stands to the credit of the Chinese Government would appear to be the putting of a noose round its own neck as the result of the Sino-Japanese arrangement for "joint defence measures against the common enemy". It is not an achievement over which there is any occasion to enthuse.

H. E. H.

Hugh Straughn

Hugh Straughn

Captain, Philippine Scouts

REC'D., M.I.B., O.C.S. JUL 23 1918

REC'D, M. I. D., O. C. S. APR 1 1919

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Copy No: 1

APR 10 1919
2053-212
WAR DEPARTMENT
NOTED W. J. D.
NOTED M.I.2

SUBJECT . . . . . HANYEHPING IRON COMPANY. . . . . .

. . . . . .

FROM. . . . H. A. . . . . .DATE. . . . FEB. 21st, 1919.

NO. . . . 1874. . . . . .

REPLYING TO NO. . . . . DATE. . . . . .1919. .

1.- The Hanyehping Iron Works at Hankow is the largest concern of its kind in China, and from it comes about one half of the total iron output of the country. It was in the beginning a government concern, and promised to be the nucleus for a national iron and steel industry. Through the mismanagement of Chinese directors, however, it became heavily indebted and the Japanese seized the opportunity to gain control of the works through huge loans which were to be repaid by a specified percentage of the iron output each year. The Japanese hold was inclined by the famous Twenty-one Demands of 1915, and Japan is now using the owrks as the principal source of supply for her iron and steel industry, at the expense of China.

2.- The Hanyehping combination has been op rating for something like twenty-seven years. It is made up of the Tayeh Iron Works, the Pinghsiang Coal Mines, and the Hanyang Iron Works, a railway, and a fleet of steamers operating between the site of the works on the Yangtze River and Japan. The present output of the mines is about 400,000 tons of iron ore and 150,000 tons of pig iron per year. The Hanyehping Company was first organized as a government concern. The Hanyang Iron works was erected in 1892 and Chang Chih-tung placed in charge, who squandered large sums of government money on improvements, but failed to make it pay. The Throne, despairing of the success of the works as a government institution, finally turned it into a commercial enterprise, with shares of stocks subscribed by merchants. Some two million taels were collected in this way, besides four million marks from German sources. The plant was then operated for a considerable length of time at a loss, mostly on account of mismanagement. It sank more deeply into debt, loans being obtained from every possible source. Between 1899 and 1912 Japanese interests* advanced something over fifteen million yen, the Board of Communications about two million taels, the Szechuan Railway one million, the Russo-Chinese Bank and the Banque de l'indo Chine one million, the Hongkong and Shanghai Bank and other banks and investment companies two million, and Chinese merchants six millionMany of these loans were obtained from one party to pay off another, until the whole business was in muddle. During the unsettled period of the revolution work was stopped for a while, then in 1912 when conditions became normal and the demand for iron and steel keen, the potential value of the mines was appreciated and there came a grand rivalry for control between the Japanese, the company itself, and the Chinese government. Yuan Shih-kai, who had become supreme, decided to make it a government concern again. One of his supporters, Sun Wu, was put in charge, but found that he could do nothing without more money. Meanwhile Sheng Hsuan-huai, Chief Director of the old company, had gone to Japan and organized a Sino-Japanese company, which stepped in and took control of the works. A substantial loan was at once obtained from the Japanese,

*The following Japanese concerns were interested: Japanese Government Iron Works, Industrial Bank of Japan, Mitsui Bussan Kaisha, Okura & Company, and the Yokohama Specie Bank.

with a promise of more to come, and operations begun in a business-like manner. Subsequent loans were made from time to time in 1912 and 1913, until the company had become indebted to the Japanese for over fifty million yen. Various agrrements were entered into for the repayment of these advances,* and the entire plant pledged to the Japanese as security. The important thing to note is that the advances were to be repaid in specified portions of iron ore and pig iron, to be accepted at fixed prices. Under existing agreements the Japanese can claim something like 80,000 tons of pig iron per year (about one-half of the output), besides about fifty per cent of the iron ore putput. The loans cannot be repaid in cash unless the money is obtained entirely from within China itself, and not contributed directly or indirectly by outside sources. A Japanese chief engineer and a Japanese financial adviser are provided for, to superintend operations.

3.- So far the works have been able to supply the amounts specified in the agreements, as periodically due Japan, but the deposits have been found to be far from inexhaustible and it is estimated that there is just about enough iron ore left to complete the contracts with the Japanese. There is consequently some uneasiness as to what form Japanese action may take if the supply runs out before the loans are repaid. The demand for iron and steel in Japan is rapidly increasing with the development of her industries, and they are looking to China for the supply. For example, a new Japanese steel company has been organized by Ysukana & Company, which has expressed the intention of drawing its supply of pig iron, estimated at 60,000 tons per year, from the Hanyehping.

4.- The Japanese have completely clinched their hold upon the works by the "Twenty-one Demands" of 1915, and secured from the Chinese a promise that the Hanyehping Iron Works would not be taken over as a government enterprise. Group III of the "Demands" provides as follows:

> "The relations between Japan and the Hanyehping Company being very intimate, if those interested in the said Company come to an agreement with the Japanese capitalists for cooperation, the Chinese government shall forthwith give its consent thereto. The Chinese Government further agrees that, without the consent of the Japanese capitalists, China will not convert the Company into a state enterpirse, nor confiscate it, nor cause it to borrow and use foreign capital other than Japanese."

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*The agreements are all on file with the Department of State; particular reference is made to Legation's Despatch No. 1404, February 28 1917, and No. 2383, December 9,1918.

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The amount of principal indebtedness of this concern to Japanese is Yen 50,000,000 which was concluded in 1912, though evidence of the indebtedness probably does not bear that date. In addition to the principal debts there are a number of special liabilities aggregating probably slightly over half of this amount for shorter terms. These are emergency liabilities and are for shorter terms and bear seven percent interest while the principal debt is six percent.

There are two Japanese advisors stationed usually at Shanghai - one is known as a technical advisor who approves and is responsible for extension work, and the other is a financial advisor whose chief duty is to audit at Shanghai the accounts as the come in from various

branches. the technical advisor is at present at Tayeh as the Chief-engineer for the construction of the Tayeh Iron and Steel Works. There are as assistants of the Chief-engineer some ten subordinate engineers and construction men at Tayeh, their presence being necessitated by the construction of a new plant which has been under consideration for three years but only recently has the machinery arrived which will permit of active work going forward. These are said to be the only Japanese taking an active part in the management of the works, and this is confined to the construction work at Tayeh.

There are said to be no Japanese at the Tayeh Mines, the Pinghsiang Mines or at the Hanyang Iron Works. The only part taken by the Japanese in the management concerning the mines and the Hanyang Iron Works is that which the financial advisor takes when the accounts are rendered periodically by the Hanyang Iron Works, and the mines at Pinghsiang and Tayeh. It is quite likely and just that the Japanese maintain a very vigilant watch over the auditing department at Shanghai. It is very difficult to form any accurate opinion concerning the number of Chinese who are subservient to the Japanese in the employment in the Hanyang Iron Works and the Mines. The management of a well known American concern (Anderson, Meyer & Company) states that the superintendent of the Hanyang Iron and Steel Works,, and the manager of the Pinghsiang Coal Mines are not pro-Japanese but can be regarded as being inclined to be the opposite. The Manager of this firm comes in touch with these Han-Yeh-Ping people in a business way and is in a time better position to form an accurate estimate of their inclinations than I could possibly be. In discussing these plants with the Chinese at various times I have been impressed that they have every little criticism to make concerning the management of the loans but are very severe in their criticism of the Japanese firms with whom they deal who are not interested in the loan. It is recalled that in discussing the question of sales of pig iron to Japanese firms independent of the loan at one time that firm and other Japanese firms were every severely criticized. It is also recalled that a statement has been made to the effect that the Japanese money lenders are very considerate in dealing with the plants. It is impossible, therefore, to determine how many are subservient to the Japanese interest and how many are independent of the same. It would no doubt be extremely dangerous for a Chinese employee to tale a strong stand against a large creditor of his principal.

The annual output of the Hanyang Iron and Steel Works is approximately 150,000 tons of pig iron, of which under the loan agreement the Japanese can demand 80,000 tons, but as a matter of fact did not take quite this quantity in any year since the loan has been completed. The Japanese have at the request of the Chinese concern increased the price that they were to pay to Yen 120 for 1918. This is a substantial increase over the orginal contract price but is not up to the market value. The remainder of the output is sold in the open market, usually to Japanese or Chinese, however, The steel output is not under contract according to the loan agreement but may be sold in the open market at competitive prices.

It is difficult to obtain accurate btstistics in regard to the quantity of iron ore that may be demanded under the loan agreement. The amount taken at the present time is approximately but not exceeding fifty percent of the total output, though the tonnage that may be demanded is an increasing one and is not limited to the presnet of the output but is a fixed and definite amount for each year, which according to a source which should be reliable, in 1918 was 640,000 tons. This latter statement has not been confirmed

but is regarded as being correct. The crucial point will be reached when the Tayeh Iron and Steel Mills are completed, because at that time unless the output of the Tayeh mines has increased enormously there will not be sufficient ore remain to operate the Hanyang and Tayeh Mills after the Japanese have secured the tonnage which they will demand under the loan agreement. This loan agreement is thought to be for a period of approximately forty years, and unless new mines are acquired and the output increased beyond reasonable expectations the large mills erected and being erected will not have sufficient ore to continue to operate at full capacity. Under the loan agreement the Japanese were to pay Yen 3.00 per ton, but this during 1918 was voluntarily increased to Yen 3.80 per ton which the Chinese claim is insufficient to meet all the expense under the present high exchange. Under this loan agreement, one cannot see a very bright future for the Han-Yeh-Ling because the time will unquestionably arrive when only a miracle can produce sufficient to meet the lenders' demands, and at the same time furnish sufficient to keep the mills going to sell on the market products which will be in sufficient large quantities to give any hope of being able to repay the loan.

The Pinghsiang Coal Mines' output is not contracted to the Japanese, though the mine is a part of the security included in the contract.

REC'D M. I. B., O. C. S. APR 1 1919

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NOTED W. J. D.

APR 19

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.

2065-216

WAR DEPARTMENT
NOTED M.I.B.

SUBJECT.....THE NANKING IRON MINES.....

FROM....H.A.....DATE. Feb..21,1919.

No. 1872.....DATE.....1919.

REPLYING TO NO.....DATE.....1919.

The Feng Huang Shan (or Molinkwan) iron deposits, situated about 50 li south of Nanking, in the Province of Kiangsu, represent the most valuable iron resources in China, containing approximately 35,000,000 tons of high grade ore. This constitutes about one tenth of the entire iron reserve of China, including Manchuria, and one fourth of the total iron resources still remaining in the hands of the Chinese Government, the balance being under the control of Japanese and private interests. The importance to China of the development of her iron industry may be appreciated when it is remembered that China has in operation approximately only 7000 miles of railway, while a proper development of the country will necessitate the building of perhaps 50,000 miles of additional railways. Moreover, the industrial era in China is sure to come, with itstremendous demands for iron and steel. Even with all the known iron deposits in China being worked to their maximum capacity, it is probable that the supply would have to be supplemented by imports from abroad. Mr. P.O.Whitham, Trade Commissioner for the United States Department of Commerce, who has been carrying on very thorough investigations of these problems in China, has said: "Looking at it from a purely commercial standpoint, it would appear to be good business to foster the development and utilization of China's iron deposits in a manner that will assure their devotion to needs of the Chinese themselves . . . . If the policies pursued in the case of the Han-Yeh-Ping properties may be taken as a criterion: if the Nanking deposits which are the best known opportunity to build up a really large iron and steel industry in China are turned over to the complete control of the Japanese, they will be exploited to build up Japanese steel industries in Japan at the expense of China. In that event, China will no longer be a free agent in the matter of this essential factor in the construction of her railways and the development of her industries."

The Feng Huang Shan deposits particularly take first place among the iron possibilities of China because they are better situated for development than any others, no excepting the Han-Yeh-Ping at Hankow, Coal is to be found near at hand, and because of the fortunate proximity of the mines to the Yangtze River and the Nanking-Shanghai Railway, the problem of transportation is taken care of. In fact, the Nanking deposits are of such importance that an American mining expert,

THE NANKING IRON MINES.

Mr. J. W. Finch, after more than a year's investigation of the iron deposits in China, has declared Chinese control of the Molinkwan ores to be absolutely essential to any sound program of national development of iron and steel.

During the monarchial regime of Yuan Shih-kai a Chinese company (the Hua Ning Mining Company) was formed by some of Yuan's supporters for the development of these deposits. The company was never registered in the Ministry of Agriculture and Commerce, and the whole proceeding in connection with its formation was irregular. It was doubtless another scheme for raising money in support of the monarchy movement. Because of the action of the government in reserving to itself interest in all mineral deposits, and placing them under the control of the Ministry of Agriculture and Commerce, it was necessary for this company to apply to the Ministry for a permit to work the mines, which it did. The permit was evidently granted. On May 9, 1916, the company (through its representative Shih (Sze) Chao-tseng, director of the Lunghai Railway) entered into a secret agreement with the Japanese firm of Okura & Company for a loan of Y1,000,000. In consideration of this advance, the Hua Ning Company was to sell to the Okura Company the output of the iron mines to be worked by it near Nanking, including that of the Molinkwan. This agreementwas to remain in force for twenty years, with the provision that it might be extended at the end of that period by mutual agreement. The agreement contained an important proviso, however, that it would not become of force until it had been sanctioned by the Ministry of Agriculture and Commerce. This sanction was never given. Moreover, when the Ministry of Agriculture and Commerce learned of the negotiations, it immediately ordered the cancellation of the contract, quoting the general regulations of the company under which it had been granted a permit to operate, and which provided (Art. 4) that capital would only be secured from Chinese subscribers; and (Art. II) that the output would not be sold to foreigners without the consent of the Ministry. The Ministry also ordered that the mining permit be returned.

The preliminary advance of Y1,000,000 by Okura & Co. was admitted to have been received by the Ministry of Faniance, in a letter from it to the Director General of the Hua Ning Company, dated September 30, 1916, in which it was stated that the money had been turned over to the Banks of China and Communications, and that "the Treasury being at present very low, this Ministry will take the responsibility of repaying this debt in the future in order to preserve its credit." Due to the depletion of the Treasury by Yuan Shih-kai's machinations at this time, the eager acceptance of the money from the Japanese without thought of the consequences is easily understood. It was probably squandered with the other funds of the Treasury. In a later letter to the Hua Ning Company, however, the Ministry of Finance assured the Director General that it was doing its best to repay the loan. The loan was never repaid, a fact which has given the Okura group its only excuse for the often renewed demands that the contract be carried out, - an excuse

entirely without ground, in view of the fact that repayment of the loan was repeatedly offered, and refused.

There is no doubt that the loan agreement made with Okura is absolutely invalid, both on its face, and in the light of the government regulations for the working of mines, which provide (Art. VI) "All agreements for the sale of iron to foreign countries, and all other agreements, must have the approval of the Ministry of Agriculture and Commerce; and no agreement for selling iron ore shall be made until the ore is actually produced." Ikura himself violated the contract by paying over the bargain money before the contract had been sanctioned by the Ministry of Agriculture and Commerce, as required by its terms.

In 1917, the Japanese government being in dire need of ore, partly on account of the American embargo on steel, the Okura contract was again brought forward by the Japanese Minister at Peking, and a demand made for its observance. The Chinese Government refused to discuss the matter, saying that the contract had been cancelled. It is reported that the Chinese offered at this point to refund the ¥1,000,000, which the Japanese refused to accept.

Meanwhile the Chinese Government, probably with the idea of disentangling itself from any question of Japanese prior rights, had decided to nationalize the iron industry in China, and to this end had entered into negotiations with a representative of the Orient Mines Company, an American concern, which at its request during the following year undertook extensive investigations of iron deposits in China and submitted several proposals to the Chinese Government for working these deposits as a national industry on a profitable basis. On April 5, 1917, Premier Tuan Chi-jui officially agreed in writing that the government "would reserve for a period of three months all the iron ores remaining in its possession or under its control, and would make no contract regarding iron and steel manufacture in China in conflict with the ultimate purpose of the undertaking." Besides this written agreement, which of course lapsed on July 5, 1917, lateroral assurances were repeatedly given that the rights of the government would not be alienated. At one time, just before the Chang Hsun coup d'etat of 1917, the negotiations were practically completed, but had to be renewed upon Feng's assumption of the presidency when Li Yuan Hung retired, and up until the present no definite conclusion of the negotiations with the Orient Mines Company has been reached.

During the early part of 1917, when the matter of the Japanese Loan was taken up several times with Premier Tuan for the Orient Mines Company, Tuan had stated that the claim of the Japanese company was founded upon an illegal contract, and would not be recognized beyond the repayment of the money advanced, which it is understood was again proffered. However, in connection with the negotiations for the so-called Arms Alliance, the

Premier suddenly changed his attitude, undoubtedly under pressure, and stated that it might be necessary for the Chinese Government to recognize the validity of the Japanese contract. In November 1917, the newspapers reported that the matter of the loan had been taken out of the hands of the Ministry of Agriculture and Commerce and entrusted to the Japanese tool Tsao Ju-lin, and that "as might be expected Tsao has decided to comply with the Japanese demands without modification."

It is probable that the Japanese would have gained control of the deposits at this time had it not been for the vehement protests of the citizens of Kiangsu, led by their Tuchun Li Hsun. In January 1918, Li apparently succeeded in making use of the Muning Mining Company, which had been organized by his predecessor Feng Kuo-chang, and composed of prominent Chinese gentry of the neighborhood of Nanking, for the purpose of taking over the deposits from the Hua Ning Company and developing them. Li now had a resolution approving this step passed by the Provincial Assembly of Kiangsu, and approval of the central government was requested, but evidently shelved.

Throughout 1918 the Japanese renewed their demands for the working of the mines and exerted no little pressure by means of the Sino-Japanese secret military agreement which had been concluded early in the year. In October 1918, it was officially given out by the Japanese Government that an agreement had been concluded with the Chinese Government for the establishment of a national iron work, the necessary capital and technical supervision to be supplied by Japan. A loan of about ¥100,000,000, it was reported, would probably be announced soon. The protests which went up from Nanking, however, and the voiced disapproval of the American and British Ministers at Peking have thus far apparently blocked the deal. The American Legation has taken the stand that the Orient Mines Company, having spent much time and a great deal of money investigating the iron resources of China at the request of the government and under the positive assurance that these resources would not be alienated, has some rights in the matter. The British, of course, look upon any attempt on the part of the Japanese to gain control of these deposits as encroaching upon the British sphere of influence in the Yangtze Valley.

The only plausible solution of the question seems to be the nationalization of the iron industry in China. If this can be done with international support and supervision, under some such planas submitted by the Orient Mines Company, it will prevent this valuable national resource, one of the very few still remaining to China, from coming under the control of a single group. This seems to be favored by the Chinese generally, and could hardly be openly objected to by any one of the Powers. Some secret opposition, however, is sure to be encountered. It seems that ex-President Feng Kuo-chang, who had become interested in the Nanking mines through the Muning Company while he was Tuchun at Nanking, is endeavoring

to retain a hold upon them for personal enrichment. It will at least be embarrassing for President Shu Shih-chang to deny his requests for a concession in the matter, in view of the fact that he himself is financially interested in several such concessions, and it would likewise be politically unwise for the President to incur the disfavor of General Feng at this time. Feng is now at the head of the Muning Company and is working hard to put through a contract which this company has entered into with the Japanese. He is however meeting difficulties. He is strongly opposed by local opinion in Nanking, which is against any arrangements whereby control of the mines would be given to the Japanese. Moreover, although the company has been organized, it is not yet in control of the deposits, and this control can not be obtained without the sanction of the cabinet. Feng's only hold on the matter, therefore, is through his tentative arrangement with the Japanese, and since he is by no means all-powerful, and will meet opposition from the central government, he may quite likely fail. However, the Japanese have on their part been pulling strings. When Major General Hsu Shih-chen went on his mission to watch the maneuvers in Japan, he received support from the Okura Company, and in turn promised his influence in assisting the company's interests in China. At this time the Okura Company was also assured of the full support of the Japanese Government. This official governmental support had not heretofore been continuously given, but apparently all interests have now united under the lead of the Okura Company with the strong support of the Japanese Legation at Peking in an attempt to secure the Nanking resources. The factors favorable to the Japanese are the support of Feng and of the militarists under Tuan and Hsu Shih-chen, and the reluctance of any party to oppose them. Unfavorable factors are the opposition and mutual distrust between Feng and Tuan, and the fact that the Chinese people are opposed to Japanese control of the mines.

A report just received from the American Vice-Consul in Charge at Nanking states that a third factor, the Hsin Feng Company, has now interested itself in the matter, and can be counted upon to oppose the asperations of General Feng Kuo-chang and his Muning Company, as well as any scheme on the part of Japanese or other private interests to gain control of the deposits. The Hsin Feng Company is stated to have been organized by Tao Pao Chin, a member of the Old Parliament, a one-third interest being owned by Chang Chien, ex-Minister of Commerce and Agriculture. The introduction of this new element into the negotiations will, of course, more and more complicate the situation.

In an interview with the Chinese Secretary of the American Legation in December 1918, ex-President Feng stated that he personally did not favor the nationalization of the iron and steel industries, but believed in turning them over to private enterprise. He likewise stated that he had been successful in getting back a large share of the advantages

surrendered to the Japanese under the Okura agreement, and that a company had now been organized (the Muning), capitalized half by Japanese and half by Chinese, for the establishment of an iron and steel works at Nanking. The ¥1,000,000 was to be returned to Okura, and the loan agreement definitely cancelled. Under the new organization only such ore as was not needed inthe operations of the new company could be demanded for export to Japan, and this must be bought at full market rates. What is to constitute such surplus ore is not clearly stated, and in practice obviously depends upon the way in which the mine is exploited, as it is possible either to produce exactly what is required, or the maximum which can be economically secured. The agreement is to be in force twenty years, the company is to have a capital of $5,000,000 for working the mines and another $20,000,000 for the establishment of an iron foundry at Nanking. The working of the mines and the establishment of the iron foundry are to be placed under the supervision of Japanese experts. The final article of the agreement is remarkable frank: "As compensation for cooperation Japan will not demand the repayment of the one million dollars (yen) advanced(by the Okura Company)." According to Feng the preliminary agreement has been signed for two months, and the only way now in which the consummation of the deal could be delayed would be to postpone the signing of the final agreement.

The matter is now in abeyance, with the Japanese working to push through their proposals, against the prevailing sentiment in favor of deferring the question until international support of a purely Chinese national enterprise becomes possible.

A copy of this report has been furnished the Legation for the files of the Department of State.

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Number of copies: 3

Copy No.: 1

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.
2003-230
APR 18 1919
WAR DEPARTMENT
NOTED: M. I. 2.

AMERICAN LEGATION
OFFICE OF THE MILITARY ATTACHE
PEKING.

March 10, 1919.

CAPT. H. A. KENYON,
M. I. 5

Captain H. R. Robbins,
Assistant to the Military Attache,
Peking, China.

Dear Captain Robbins:

For some weeks past I have kept in touch with the Peace Conference which is now in session at Shanghai.

In the beginning considerable difficulty was experienced in determining the place where the Conference should be held. After the Aide-Memoir had been sent to the Peking Government, and to the south by the Allied Ministers, the negotiations between the north and the south were carried on through General Li Shun, the Military Governor of Kiangsu Province, stationed at Nanking. The representative of the north desired that the Conference be held at Nanking, and shortly after the appointment of the Northern Delegation, their headquarters were established at Nanking. Strong opposition was made to Nanking by the Southern Delegation, and especially by Tang Shao-yi, the chief Southern Delegate. Mr. Tang made the proposal that the Conference should be held within the International Settlement at Shanghai. He gave as his reason for this proposal that the holding of the Conference at Shanghai would be a guarantee that no undue influence would be exerted upon the delegates by the representatives of the Military, either of the north or of the south. General Li Shun gave his assurance that at Nanking the delegates would be free from influence. The opposition of the south to Nanking was not because of the lack of confidence in General Li Shun, but they feared that in the event the Conference should consider proposals which the Militarists considered unfavorable to their interests, an attempt would be made to destroy General Li's power and cause the Conference to break up. After weeks of negotiation, it was decided that the Conference should be held at Shanghai.

The first meeting was held at the Club Concordia on the 20th of February. When the Aide-Memoir was signed by the Allied Ministers, and the holding of the Peace Conference was decided upon, an armistice was agreed upon between the contending forces. Notwithstanding the Armistice, operations were continued by the northern forces in the Provinces Fukien and Shensi, and the organization of the War Participation Bureau was pro-

ceeded with. The reason given by the northern authorities was that operations in Fukien and Shensi were necessary by reason of the activity of brigands, and that the operations were not against the southern forces, but against brigand bands in these provinces. The reason for the organization of the War Participation Bureau was that this was a measure which had been taken in compliance with the suggestion of the Allied Powers for participation in the war, and that until the Peace Treaty was signed, the Chinese Government was under obligations to continue with this organization. A short time after the representations had been made, assurances were given that operations in Fukien and Shensi would be stopped. Since this agreement was reached, there have been no complaints with regard to Fukien Province, but there seems to have been no cessation of operations in Shensi Province. In connection with this question, General Li Shun at Nanking again intervened and suggested that it should be agreed that the fighting in Shensi Province should stop; that each party should be responsible for the territory now held, and in order that no dispute should arise as to the jurisdiction of the respective forces, a Delegate should be sent to delimit the area to be held by each of the contending forces. It was believed by the south that the operations in Shensi Province were inspired by General Tuan Chi-Ju' and Little Hsu, at the suggestion of their Japanese friends. It has been pointed out in support of this contention that for the purpose of these operations, Fengtien troops belonging to General Chang Tso-lin, who is under the complete control of the Japanese, have been sent to Shensi Province, and have been responsible for the continuance of the military operations in that Province.

When the Peace Conference at Shanghai was opened, the first question raised by the Southern Delegates was the violation by the north of the Armistice which had been agreed upon. Strong pressure was brought to bear upon Mr. Tang Shao-yi through the other members of his delegation by representatives from Shensi Province, and this finally resulted in an ultimatum being given to the northern Delegation by Mr. Tang Shao-yi. When the question of Shensi was raised, it was agreed between the two Delegations that representations should be made to the Peking authorities to put a stop to the operations, but no action was taken by the President which satisfied the Southerners that the operations in Shensi Province would be stopped. The attitude of Peking embarrassed the Northern Delegates, and when Tang Shao-yi announced that unless a satisfactory solution was reached within a fixed time, he would feel that it was necessary

for him to bring the matter to the attention of the Allied Ministers, and to inform them that the failure of the north to control their troops in Shensi was an obstacle to the peace suggested by the Ministers in their Aide-Memoir, the Northern Delegation sent their resignations to the President, and the holding of the sessions of the Conference were suspended.

Another question which the South has considered it necessary to raise before the work of the Conference could proceed is the alleged violation of the spirit of the Armistice by the north in continuing the organization of the War Participation Bureau. The War Participation Bureau was formed in an agreement with the Japanese Government to enable China to participate in the war. It was agreed that Japan should furnish for this purpose a supply of arms and ammunition, twenty million yen to be paid over a period of six months, and to send a number of Japanese officers to assist in the training of the troops to be formed. The South pointed out that after the signing of the Armistice in Europe on November 11th, a continuance of this organization was unnecessary. Attention was directed to the fact that little attention had been given to the War Participation Bureau prior to November 11th, but that greater activity had been noticed since the sending of the Aide-Memoir by the Allied Ministers. It seemed to some of the southern leaders that the purpose of the organization of this force was not to participate in the war in Europe. They believed that these new troops were being raised to be used against the south in the event the Peace Conference should not be a success, or to continue in power the men directly connected with the organization of this Bureau if a reorganization plan were agreed upon between the north and the south. When strong representations against the War Participation Bureau were made, it was announced in Peking that the name had been changed from War Participation Bureau to National Defense Bureau, but upon further consideration, it seemed that there was no justification for a National Defense Bureau, while it could be claimed that a War Participation Bureau should be continued, at least, until the signing of the Peace Treaty in Europe. It was claimed by Tang Shao-yi and his associates that the War Participation Bureau is an instrument of the Japanese military party who desire to use it to promote their interests in Peking. He has pointed out that the agreement to continue the operations of this Bureau until the signing of the Peace Treaty in Europe was signed by the Peking authorities and Japan on February 5th of this year, after the name of the Bureau had been changed to National Defense Bureau, and again changed back

to War Participation Bureau. Of the twenty million Yen agreed to be loaned for the use of the organization of the War Participation Bureau, three million have been paid. The Japanese Consul-General at Shanghai has informed Mr. Tang Shao-yi that the other seventeen million are on deposit in a Japanese Bank, subject to check by the Peking authorities. The Japanese Consul-General stated, however, that such checks would not be honored unless they were counter signed by the Japanese Military Attache at Peking.

After strong representations had been made by the Southern Delegates, and much publicity given to the question by the local press, the Japanese Consul-General at Shanghai informed Mr. Tang Shao-yi that it was desired by the Japanese Premier that Tuan and Little Hsu should not use the seventeen million Yen. He stated, however, that the Japanese Government felt bound by their agreement, and that the money would have to be paid over if the Chinese Cabinet should request it. He stated, however, that the Japanese Minister at Peking would be instructed to advise the Peking cabinet not to make further use of this fund. The Southern Delegates believe that Tuan Chijui and Little Hsu plan to effect the organization of the War Participation Bureau, and use this as the nucleous for the reorganization of a new National army, which it is thought the Peace Conference at Shanghai will agree is necessary, and in this way continue themselves in position with power. It is also thought that the Japanese are anxious for this to be brought about so that the Japanese Military influence in Peking will be continued. The position taken by the south that the present difficulties in Peking are due largely to the influence of the Japanese Military Party who have been financing the operations of the northern militarists, and encouraging them to keep the country in a disturbed condition. It is pointed out that the Japanese influence in Peking at present seems to be unlimited, and that if they can succeed in continuing their agents in control of the military forces of the Government to be organized, they will have strengthened theirposition by having the same influence over the united government of the north and south that they now exercise over the present Peking Government. Mr. Tang Shao-yi said that in view of these facts, that even though the Shensi question above referred to was solved to the satisfaction of the south, and the meetings of the Conference were resumed, he would immediately raise and press for a settlement of the War Participation Bureau question.

The relations between the northern and southern delegations are cordial, and both sides show a spirit of conciliation and cooperation which promises to make the Conference a success

if it receives the proper support from the President. Both sides are anxious that the President's position should be strengthened, and that he should be prevailed upon to assert himself, promising their full support if he will take a firm stand against the crowd which now dominates the actions of the Peking Government.

Another matter brought to my attention which indicates that the southern delegates have some justification for the position they have taken with regard to the Japanese desire to continue the influence of General Tuan and Little Hsu is the position taken by the Japanese authorities in connection with the sale of arms to General Li Shun. The Japanese have made an attempt to control the action of General Li Shun. He has, however, not looked upon their advances to him with favor. There have been indications that he would abandon his present neutral position and throw his influence against the Tuan Chijui party. Holding as he does a strategic position at Nanking on the Yangtze river at the terminus of the Pukow railway, his support is a very important factor, and his attitude on the various questions raised has been given serious consideration by all parties concerned. Some months ago he placed an order with certain Japanese for the supply of about $400,000 worth of ammunition. The contract price agreed upon was very high, and it was thought that these arms would be supplied by reason of the great profit which would result to the contractors. When the contract was signed, General Li paid either the whole or a considerable part of the contract price. When the time for delivery came, however, he was informed by the Japanese that they were unable to make delivery at this time. The fact that a very large supply of arms and ammunition were being supplied to the Peking Government and to the troops controled by General Tuan and Little Hsu tended to confirm the suspicion of the south that the Japanese desired to strengthen only the forces of the men upon whose support they could depend.

In this connection, it should be pointed out that the southerners are being told through the Japanese Consul-General at Shanghai that the continuance of support to the northern militarists by the Japanese is not desired by the Japanese Premier, and that the War Participation Bureau, and the use of the seventeen million Yen by the north is not considered favorably by him. Mr. Tang Shao-yi has been told that a division exists in Japan between certain members of the cabinet and the Japanese military party, but it has been intimated to him that the Cabinet is not yet in a position to control the actions of the military party in regard to China.

It seems, therefore, that the Japanese in the south are taking a position which the south will look upon with favor, while in the north, they are shaping their actions in conformity with the wishes of the opponents of the south, and explaining these contradictory actions by the statement that disagreements among their own people exist.

All of the leaders of the south state openly that the present difficulties of China are due entirely to the attitude and actions of the Japanese Government, and all believe that if influences could be brought to bear to bring the actions of Japan into harmony with those of the other Allied Powers, the establishment of a united Government would be a simple matter.

Very truly yours,

A. Bassett.
for HRR

H. BASSETT, Major, U. S. A.,
Assistant to the Military Attache.

HB/iw.

1st Ind.

#1928

Military Attache to China, March 11, 1919, to Director of Military Intelligence, Washington, D. C. For information.

W. S. D.
for
HRR

REC'D, M. I. B., O. C. S. APR 8 1919

RECD, M. I. S., O. C. S. APR 22 1919

Number of copies 3

Copy No 1

GAMT. H. ... STAFF
M. I. ... Executive Division
Mil. Int. Branch.

CO 2055-246 ETC

WAR DEPARTMENT

SUBJECT . . . . . IRON ORE RESERVES IN CHINA. . . .

. . . . . .

FROM . . . . . H.A. . . . . Author Mac

NO. . . 1955 . . . . . .DATE . . .March 21,. .1919.

REPLYING TO NO.. . . . . .DATE . . . . . .1919.

1. The following data on the above subject is believed to be reliable, and as complete as it is possible to obtain at the present time, and the accompanying letter indicates the interests at work now with regard to the Molingkwan iron deposit near Nanking.

Deposit	Approximate Tonnage.	Control	Grade Fe %
Penshihu	80,000,000	J	(68 - 71 (55 - 40
Anshanshan	50,000,000	J	(45 - 66 (31
Lanchow	32,000,000	C	40
Lungkwan	80,000,000	C	57
Chinglingchen	37,000,000	J	65 - 70
Likouyi	1,500,000	C	55
Hung Shan	1,000,000	C	54 - 68
Tayeh	35,000,000	J	60 - 65
Aoch'eng	10,200,000	C	50 - 55
Donglingshan	2,500,000	C	50
Chengkenshan	6,000,000	C	50 - 60
Tungkuanshan	2,500,000	J	55 - 60
Pang Chan Hsien	15,000,000	J	58 - 65
Taiping 7,000,000	20,000,000	C	58 - 63
Molingkwan	30,000,000	C	60
Packing	1,000,000	CC	40 - 50
Ping Hsing	25,000,000	C	50 (?)
Anchi	2,000,000	C	51
Maonshan	2,000,000	?	55

J - Japanese control: C - Chinese Government:
C - Chinese Companies.

SUMMARY.

Chinese Government	127,200,000
Private Companies	86,000,000
Japanese Control	199,500,000
	412,700,000

"The entry of Feng Kuo Chang into the competition among various high officials to gain control of the Molingkwan deposits has added one more serious complication. The mere fact of another high official entering the iron and steel game makes it the easier for the Japanese to so confuse matters that eventually they will be able to have all parties come under their influence. The present position the Japanese take is to get the control of these mines at the first opportunity, and before this has been done to implicate as many high officials as it is possible for them to do, the argument being that when men like Tuan Chi-Jui, Tsao Ju Lin, Hsu Hsu Cheng and others all have had relations with the Japanese of a secret nature, it will be the easier for them to effect a compromise between the contending Chinese factions, thereby concentrating everything into their hands.

The activities of the Japanese in Nanking have been checked quite a great deal by the strong stand taken by Tuchun Li Hsun and Chang I Hou, who are both in perfect agreement as to the necessity of preserving these deposits for China's use, and they are both strenously opposed to any cooperation as between the Japanese and Chinese, whether such cooperation is political, or of a purely commercial kind is immaterial, they fully realize the danger of allowing any more iron mines going into Japanese control either directly or indirectly.

The people of Kiangsu were persuaded by Feng Kuo Chang's agents to form an association (company) to represent the gentry of Kiangsu in order that a petition might be made to Feng asking that he represent the people of Kiangsu in settling the iron situation in this Province, and to establish a Chinese company to operate the Molingkwan mines. Feng Kuo Chang upon receiving the petition set immediately to work to make money for himself in the most rapid manner - at once entering into negotiations with the Japanese with whom he signed a contract.

This act upon the part of Feng Kuo Chang has caused the people of Kiangsu to cancel their original request that Feng Kuo Chang become their representative. There is no doubt in my mind, but that an agitation of a very strong character can be brought into play against the ex-President for the manner in which he has betrayed the confidence reposed in him by the people of this Province, and it is certain that those who engineered Feng's scheme will be blamed, and in excusing themselves will have to condemn Feng.

The Japanese have recently been employed in splitting profits as between Feng Kuo Chang, Hsu Hsu Cheng, Tsao Ju Lin, et al. They have failed so far to convince the people of Kiangsu that these mines should be handed over to them, and it remains with the people to so stir up trouble that Tuan Chi-Jui, Feng Kuo Chang, and their other partners in crime will have to give up, f

for the present at least, their desire to sell China's iron resources.

There are several men working for the Japanese in Nanking y the most prominent among these men being the former head of the Bureau of Mines, Yang. There are also several members of the Provincial Assembly who have been bought up to effect peace in this body, but none of these men can withstand public criticism when the fact has become known that they are working with Feng Kuo Chang to betray the people of Kiangsu. The Japanese Consul and others have been quite active in regard to Molingkwan, but their activity has been confined largely to finding out what is going on, and to coach those Chinese who have committed themselves into their hands.

The Peace Conference has brought two men to Nanking that are of harm in the persons of Wang Ko Ming and Fang Chu, the former working in the interests of Feng Kuo Chang, and the latter for Tuan Chi Jui. I understand on most reliable authority that Wang Ko Ming is actively engaged in using money among certain of the Nanking gentry to help along Feng's scheme, but I do not feel that he can meet with any degree of success as a result of the exposure of M Feng's real plans.

When it comes to Japanese activity in Nanking, there is little or none. The whole business is being initiated and carried out in Peking, and the Chinese agents are doing the real work.

There is no doubt that the Japanese are using every means at their disposal to secure a compromise between Feng Kuo Chang and Tuan Chi Jui , and then to get the new Cabinet to give over final title to the Molingkwan mines to a Chinese company that is entirely under their control. The compromise must be effected between these two men or the Japanese will find it difficult to do anything. Personally, I fell that all that is needed to make Feng come over to the side of Tuan as regards the Molingkwan mine is to give him sufficient money. Feng is in the game for no other reason than he is anxious to enrich himself.

To my mind, the only hope is to get the iron mines of China nationalized in such manner as to assure the Chinese of the benefits of such resources. This is also the concensus of opinion of all thinking Chinese with whom I have come into contact. Everyone agrees that about the best course we could pursue for the present would be one of persuading the Chinese to nationalise their iron ores. I feel that we cannot talk to any individual at the present time for those in influence are men of no scruples, and we would only be playing into the hands of the Japanese, whereas, in encouraging the Chinese to nationalize the iron ores, we are in a position to show our desire of assisting them as against their own corrupt officials and the Japanese.

After the iron ores have been nationalized, we should be abel at that time to take up with the Chinese Government means for development. If we can succeed in staving off Japanese officials and capitalists until China has restored peace within its borders, we will have at that time sufficient standing and influence with the Chinese to allow of their letting us manage their iron and steel industries. The mere fact that the Minister has been continually asking about the iron situation has caused the Chinese Government and the Japanese a great deal of embarrassment, and it seems to me that the Minister's continued interest in this question will tend to bring the whole matter to a satisfactory conclusion. After all, it appears to the Chinese that all of the Minister's inquiries are in the interests of the Chinese, which makes our position much the stronger.

For a while, it seemed that the Okura crowd and the Japanese Government were at loggerheads, but I now understand that there has been a settlement of the disagreement between them. When the Japanese Government exerted itself to secure the transfer of iron mines to the supervision of the Ministry of War, there was at that time some sort of an understanding between the Japanese Government and Okura.

A Publicity campaign is being started by a group of International printers, which will largely take the form of informing the Chinese and foreign public of what is actually going on, and at the same time advocating plainly the necessity of China keeping for her own use her iron resources.

Sung Hung Yi, Li Hsun and Chi Chien have been approached by representatives of these mining groups with a view of having the nationalization of China's mineral deposits placed before the Peace Conference. The South have a real grievance as do the people of China against the manner in which national reserves are pledged promiscuously for loans to cause internal disorder.

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REC'D, M. I. B., O. C. S. MAY 12 1919

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Copy No. 1

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch
MAY 10 1919
2055-251
NOTED: M. I. B.
6161
WAR DEPARTMENT

SUBJECT . . . REPORT ON TRIP TO SOUTH CHINA . . .
. . . . . January 6th to March 18, 1919. . . .

FROM . . . . .M.A.. . . . . .

NO. 1978 . . . . . .DATE . . March 29,. 1919.

REPLYING TO NO.. . . . . .DATE . . . .

CAPT. H. A. KENYON,
M. I. 5

The journey to south China was made possible by the suspension of hostilities between the northern and southern troops as a result of the Aide-Memoir issued by the Foreign Legations in Peking to the Chinese Government.

The object of the trip was to determine the military and political conditions in the south, particularly with a view of ascertaining the number, location, organization and equipment of the military forces and the control over these forces by the different Chinese leaders, one thing of unusual importance being the political affiliations of the leaders themselves, which ultimately determined the uses to which the troops under the control of these leaders will be put.

In the beginning I wish to make clear the difference between the military organizations here in China, and those in the United States. Here every soldier and every officer is in the pay, not of the Central Government, but of some local official to whom he sells his services. This particular official and not the Central Government has practically complete control of the orgainization. The officers are almost entirely all selected from among the personal friends of the Chief-in-Charge, and as a consequence, the official in charge, and he alone, can order the use of these troops in combat. This applies to almost every Division, so-called, in China. Any order from the Central Government affecting the disposition of these troops would not be obeyed, unless that order had the approval of the Chief of the organization. The officers and soldiers are trained, not as Chinese troops representing as we would think, the Republic of China, but they are trained as troops representing the Province from which they are recruited. The national element is lacking, and the loyalty for some particular Province of locality or individual predominates. The condition of affairs now in China is most unusual, but at this time, the control of the Central Government over the Chinese troops is practically nil. The Chief-of-Staff, Yin Chang, is simply a figure head, with no power whatever to order troop movement. The Minister of War, Chin Yun Peng, is an underling of Tuan Chi-Jui, who is responsible for his assignment to his present post. Chin Yun Peng signed the China-Japan Agreement of September 1918, as Chief Representative for the Chinese Government. His Assistants in the War Department are all also associated in the War Participation Bureau. Even as Minister of

War, he has practically no control over Chinese troops, even those of the War Participation Bureau. The troops organized by this Bureau, which was financed by the Japanese, are virtually under control of General Hsu Shu Cheng. The troops within the limits of any province are under the complete control of the Military Governor of that Province, and orders from the President himself, or from the Minister of War are disregarded if these orders are at variance with the wishes of the Governor or the General Commanders of the troops.

With the exception of a few troops in the north, there is no such thing as a divisional organization. On paper the Chinese claim brigades and divisions, but at present, there are very few such organizations, as we understand such organizations to mean. I believe that this may be explained by several reasons. The country is so lacking in ordinary means of communication, particularly railways and roads, that the use of a wheeled vehicle is practically impossible in almost every province of China. In the province of Szechuan for example, there would be no use whatever for any wheeled means of transportation in the entire province, and troops organized to operate in that province, and for that matter, most of the provinces of China today, would have no use whatever in the field for wheeled transportation. Any supplies or equipment not transported on railways or canals must be transported by means of mules, ponies, donkeys, or coolies. On the assumption that tactical units should alwyas be under the complete control of their leader, I believe that the Chinese would be justified in making changes in organization that would permit of more active control of large units in the field than would be possible for our present organization operating in a country practically devoid of any means of communication. This absence of means of communication means consequent lack of mobility and consequent difficulty of control of large units. This is one reason why the Chinese in Yunnan are organizing what they term "Mixed Brigades", and are doing away with what was formerly termed "Divisions". General Tang, Governor of Yunnan Province, is reorganizing his forces into "Mixed Brigades", tow or more Mixed Brigades to be termed an Army Corps; Divisional Organization to be entirely omitted.

The Military operation by Chinese in China under present conditions means simply the occupation by troops of certain districts that are to be brought under, and sometimes results in the bribing of officials in districts whose sympathies are in doubt, with a view of bringing under control more territory from which to raise funds. There seems an entire lack of ability to concentrate troops into some given locality of tactical or strategic value for the purpose of conducting an active operation against enemy troops from this locality. There are frequent small engagements, but none of strategic value. This is probably due to the national characteristics of the Chinese. One of

these characteristics is their inability to cooperate with each other when that cooperation involves entire confidence in their associates and willingness to put the troops under their command under one head. Chinese high officials can never be induced to give their entire support to any other official or group of officials.

Morale.

The morale of the officers of the Yunnan troops, like Chinese officers with very few exceptions is poor. The lack of proper morale is due to lack of the national feeling of the individual, and lack of training that might develop proper espiritde corp among the officers and men. There is a real and distinct dislike of the Japanese by all Chinese, and the morale of the Chinese officers and men would be better against the Japanese than any other probable enemy. The chief source of weakness, and the real reason for the deplorable inefficiency of Chinese Military today is the lack of training and morale among the officers, and in reality, a lack of officers with any proper military training. Officers are appointed even to the grade of Lieutenants, not because the appointed is efficient or well trained, but because he is a personal friend of the Company, Battalion, Regiment or Day Commander. For example, a Chinese graduate of West Point may return to China and fail to receive a commission with troops simply because he may not be a friend of some Divisional Commander, or has no acquaintance with friends of Divisional Commanders. The Divisional Commanders make it a point to select officers over whom they have absolute control, even to the point of obeying the orders of the Divisional Commander rather than the Minister of War or the Chief of Staff. The result is that there are a series of independent organizations scattered throughout China, over which the Central Government has little or no control. The officers, even those of the highest rank are entirely lacking in proper military training, and it is the exception when an officer is even present during the instructions of his troop.

The troops drill quite well in close order, but receive practically no instruction in the field simulating actual combat or compaign conditions. I have frequently seen very good close order drill, and while at Yunnan-fu saw a drill there of the Government Body guard - a drill in extended order - which was very good. Most Chinese officers would be unable to use good tactical judgment in working out a tactical problem, and this sort of training is seldom, if ever, given. Training simulating combat conditions is practically unheard of.

Enlisted Men.

I believe that the Chinese could be made quite good fighters with training that tended to increase their morale and knowledge of actual combat conditions, but the first step would be to select and train a body of officers, and then with this select body of officers to organize and train the rank and file. The first

requisite would be sufficient intelligence officers with proper training.

There are a few schools for the training of officers here; one near Peking under the War Participation Bureau, and another at Paoting-fu, and another at Yunnan-fu. In all of these schools the Japanese method of instructions are applied, but the administration is inefficient and full of graft, and even after an officer is graduated, there is no certainty that he will be used with troops.

The troops in China, both of the north and of the south are scattered all over the country. It is apparent that if either party should concentrate one or two hundred thousand troops in some section of tactical importance, and begin a real military operation, the parties so doing could probably win the war in six months. This seems impossible now due to the inability of the important leaders of either the south or the north to get together and place their troops under the control of some one of their number, so as to permit of an active campaign. The organization of the tactical unit of the Chinese army has been outlined in previous reports, however, frequent changes in the organization within the Provinces and changes in instruction, material and numbers make such reports useless as well as difficult to obtain. The information of the most value concerning the Chinese military is that regarding the political affiliations of the various high officials that control the different elements among the troops. This also is difficult to obtain, and it also is constantly changing. Chinese politics are a most complex machine, which include wheels within wheels, and it is practically impossible for a foreigner to ever understand the operation of this machine.

At present writing, March 25th, there seems to be a combination of interests, rather than a real combination permitting of active cooperation of troops.

The following are important Chinese leaders who are willing to support the President against the so-called "Tuan Chi-Jui party."

1. Li Shun; northern General; now neutral; Governor of Kanshu; controls about 40,000 quite good troops; well equipped; lacks additional rifles; could easily recruit additional troops if supplied with additional equipment, which is now difficult to obtain; is an intelligent official of the best type in China, and is pro-American.

2. Wu Bei Fu; former northern General; commanding two divisions of Chihli troops, about 20,000 in number; well equipped.

3. Feng Yu Chiang; former northern General; Christian; Commander of one of the best divisions in China; well equipped, and well disciplined; about 12,000 men.

4. Tang Shi Yao; military governor of Yunnan Province; has recruited about 80,000 troops, which are now scattered over nearly province of South China. About 30,000 of these troops are in Szechuan Province. General Tang is one of the best types of Chinese officials; is intelligent, and patriotic and pro-American.

5. Lu Yung Ting; Inspector General of Kwangsi, Kwangtung and Kweichow provinces. General Li is an official of the old type; takes little interest in politics, but his subordinates Ma-chi, Chen Ping-kun and Tan-ho-min and Ling-hsu control about 30,000 troops; not well equipped, and not well disciplined, but the leaders have considerable political influence.

6. Li Lieh Shun; now Chief of Staff of the Southern armies. His subordinates are Generals Chen Hwang and Wu Chien Yen. General Li was a former revolutionary General who was an opponent of Li Shun in the 1911 rebellion. Li Shun considers this General as one of the best southern military leaders. General Li Lieh Shun controls directly very few troops, but indirectly, through his political influences, he controls probably 15,000 men.

7. General Wang; Military Governor of Hupeh Province. The troops under the command of General Wang are now occupying a position of great strategic importance to the south should hostilities resume, as I believe the Southerners would attempt a concentration of troops at Hankow for movement northward to Peking along the Peking-Hankow railway.

This combination would also have the support of Wu Ting Fang, present Minister of Foreign Affairs for the Southern Government, and ex-President Sun Yat Sen, head of the reorganized "Kwoningtan Party", who through his political influence could control, according to estimates recently sent to the Military Intelligence Bureau, over 100,000 Chinese troops. I believe this number to be excessive, and that the information was derived from "interested" sources, but it is undeniable that Sun Yat Sen's political influences would be an important factor to the success or failure of this combination.

As opposed to this combination, there is a so-called "Tuan Party", which is now fast losing popular support of the Chinese, due to their recent disgraceful treaties with the Japanese, one of which, the China-Japan Military Agreement, signed in September 1918, has made possible the organization and equipment and instruction by Japanese officers of the War Participation Army, and it is the Tuan clique which now makes it possible for the Japanese to continue to get under their control the national resources of China. In case hostilities resume, there seems little doubt that the Southern and the Yangtze group supporting the President would have little difficulty in controling the situation, particularly in view of the disintegration of the Tuan Party, when it

becomes apparent that they have not a reasonable chance of success. This involves another Chinese national characteristic. Their support is never without qualification, and when their cause once begins to lose standing, there is a rapid disintegration due to loss of confidence in the undertaking. The so-called Tuan Party is composed now of -

Tuan Chi-Jui; ex-Premier, now head of the War Participation Bureau; a very intelligent and very powerful politician.

Chang Chu Ling; Inspector General of the three Manchurian Provinces, and controlling probably 60,000 troops, scattered over most of the northern provinces, particularly in Fukien and Honan.

General Ni Nie Shun; ex-Tuchun of Shantung; commanding about 20,000 men; very poor troops; recent new equipment from Japan.

TsaoKhun; Military Governor of Chihli Province, controlling about 30,000 quite good troops. Some of the Chihli troops are under Wu Bei Fu. Shih-Chen who would oppose this Tsao Khun.

General Hsu; called "Little Hsu" by the Chinese; formerly Chief Commander in the field of the northern troops; inscrupulous underling of Tuan's; very clever, and very ambitious; negotiated recent Japanese agreements in Tokyo where he went to represent China at the Imperial Japanese Maneuvers. At date of report, March 25th, information at hand is that General Hsu continues to direct movements of northern troops into the Province of Shansi, in deliberate violation of a mandate of the Chinese President, and the wishes of the northern Peace Delegate to Shanghai. The Conferees at Shanghai, of both north and south are in perfect accord as to the necessity for the disbandment of the War Participation Bureau troops, and it is quite probable that the movement of these troops into Shansi is undertaken by General Hsu to prevent such disbandment, and if such troops movement continues, will result in the resumption of hostilities.

The movement of the northern troops from Shansi into Szechuan is a clever move on the part of the northern military, as such a movement would get the support of the Szechuanese, who have been driven out of Szechuan Province by the Southern forces, as well as of the officials in Szechuan who are now dissatisfied with the continued stay of Yunnan troops in their province. It is significant of Chinese methods of procedure to be quick to take advantage of such a political condition in planning troop movements.

While at Canton, I visited Admiral Lin Pao Yi, the Minister of the Navy for the Southern Government,

and was entertained by him at his headquarters. The Admiral's flag officer told me personally that there was an agreement on the part of the northern and southern navies to remain neutral in the present revolution, which explains the absence of any naval action. Captain Gillis, the Naval Attache confirms this information, as a similar statement was made to him by Northern Naval officials. In the Canton west river, I saw numerous Chinese schooners and gun-boats, but it is doubtful if any naval operations will be undertaken by either party even in case hostilities resume.

The following is a brief outline of my trip to the South:

I left Peking at 4 p.m., January 6, 1919; arrived at Nanking the morning of January 8th. Here I met Mr. Roy Scott Anderson, an American, and personal friend of the American Minister, and confidential adviser of to the Governor-General Li Shun, of Nanking. Through Mr. Anderson and Mr. Wen, one of the Governor's Chinese advisers, I was able to get a personal interview with the Governor himself and present the Minister's personal compliments. Through Li Shun, we were able to get military information concerning the provinces of China. This document was sent to Peking, and after translation, due report was made to the Director of Military Intelligence. On the evening of January 8th Mr. Anderson was making a trip to Canton, Hongkong and Yunnan-fu on business, and it was at the Minister's suggestion that I accompanied Mr. Anderson who consented to act as my interpreter, and I was fortunate to be able to take advantage of this gentleman's wonderful knowledge of the Chinese, over whom he has more influence than possibly any other foreigner in China.

Mr. Anderson and I left Nanking for Shanghai on the evening of January 8th. While at Shanghai, I had personal interviews with Dr. Sun Yat Sen, Tang Shao-yi, Chief Delegate of the South, Sung Hung Yi, another Southern Delegate, representing Sun Yat Sen, and one of the leaders of the "Kwo-ming Tang" party. We left Shanghai for Hongkong January 12th on the S.S."Kaophong"; arrived at Hongkong January 17th; left for Canton January 18th, arriving January 19th. My first interview at Canton was with Mr. Wu Ching Lien, President of the House of Representatives of the Southern party. Mr. Wu was an old friend of Mr. Anderson and gave us the new alignment of the Southern military party, wf which a separate report was made. While at Canton, I also had personal interviews with Wu Ting Fang, Minister of Foreign Affairs; his son, C. C. Wu, Vice-Minister of Foreign Affairs previous to his departure for France, where he is now a member of the Chinese Peace Conference; the President of the Senate; President of the House of Representatives; Admiral Lin Pao Yi, Minister of the Navy; Tsen Tsun Hsuan, the head of the Southern Military Government;

General Li Lieh Shun, Chief of Staff of the Southern Army, and numerous other Generals from the Staffs of Lu Ling Ting and General Li. While at Canton, we took up the matter of the recent visit of Mr. Matsui, believed to be a Colonel, but known to be an officer of the Japanese General Staff. Matsui had made every effort to [illegible] over the Southerners to the Japanese by talk of friendship. In his interviews with Chinese leaders, he had made every attempt to discountenance the sincerity of the Americans and in every way to cast slurs upon Americans and our policy towards China. This man, Matsui, is a member of the Japanese General Staff, with headquarters at Shanghai. I told our Chinese ~~fir~~ friends that it was not my intention to criticize the Japanese, but that I wanted to know all the statements made by Japanese official agents against Americans. I said that I held no grudge against Japan; that Japan was one of our Allies, but that naturally such statements as had been reported as made by Japanese officials were most distasteful to me.

We left Canton on January 27th for Hongkong, where we took the French Mail ship "Sphinx" for Haiphong, where we arrived January 31st. While in Indo-China, we were treated with remarkable courtesy by the French officials. The Governor-General sent his personal Aide-de-Camp to assist me, and put a private car at my disposal. On February 4th, we left Hanoi for Yfu, where we arrived on the evening of February 6th. Here we interviewed Governor-General Tang Shi-Yao, one of the most powerful Southern Chinese leaders, whose support of any scheme of reorganization in China is important. The personal history of the Governor and of his important subordinates as well as of numerous other Southern Chinese leaders will be made in a separate report. While at Yfu, we had numerous interviews with General Tang Shi Yao, as well as with important members of his Staff and Cabinet. Here we were again treated with remarkable courtesy by the Chinese officials. The following Remarks of Welcome were given by the Governor at a banquet which was given in our honor:

"On this 6th Day of the 2nd Moon of the 8th Year of the Republic of China, we, the Tuchun, and concurrently Civil Governor, and the people from different circles of this Province, wish to extend our hearty welcome to the Military Attache of the American Legation at Peking, Colonel Drysdale, who has come on mission from a good distance, and Mr. Anderson who is travelling with him.

Since we held intercourse with the different countries of Europe and America, a very intimate relationship has existed between China and the United States of America. When our country was reconstructed into a republic, the United States of America was the first to recognize us, and moreover, has hitherto assisted us greatly in the upbuild of our republic.

Last winter, the Great President of the United States on account of the European war advocated common justice by declaring in the Congress fourteen provisions, based on an illustrious intent that has given start to something really great. His ideals will be depended upon as security of permanent world peace. Now Colonel Drysdale and Mr. Anderson come to Yunnan and so earnestly tell us to this effect that we cannot but express our true admiration of the Great President.

I, the Tuchun, and concurrently Civil Governor, always love peace. Last year, being spurred by the state of affairs, I, for the sake of esteeming question of law, had to resort to arms, but fortunately, the Northern Militarists have gradually been able to wake up with the prevailing influence of the world, and have come to peace terms with us. Before long, we can see a legal solution that will bring us together again in order to console the longing heart of our people, and to respond to the affectionate meaning of the American Government and other friendly nations.

I beg to represent the people of different circles of this province in extending our hearty welcome to these two gentlemen, and in greeting them for many a blessing."

The following was my answer to the above:

"Your Excellency;

I wish to thank you and your colleagues for the warm welcome that you have extended to us. Your welcome is but an added expression of the good will of the Chinese people towards us, and it is our earnest desire that the bond of union between our two peoples shall be drawn closer in order that we may effectively cooperate in the promotion of the welfare of humanking throughout the world. It is the wish of my country that China should work with Americans in the [illegible] solution of present world problems to the end that peace and law may be reestablished, thereby giving the peoples of all nations, whether great or small, freedom in the working out of their own national problems. In entering the Great War, the United States did so to render assistance to the cause of justice and humanity inthe world. Our efforts were no more on behalf of our European allies than on behalf of our Allies in Asia. It is our sole purpose in international relations to so conduct our policies that those nations having friendly intercourse with us shall feel free at all times to talk to us plainly without fear of ulterior motives upon our part. We feel that we are among friends when we are with you, and it is our hope that we shall be able to cooperate politically, socially, and economically in the establishment of an era of peace and prosperity in the Pacific Basin.

Again thanking you for your kindly welcome, I wish to drink to the health of His Excellency, Tuchun Tang Shi Yao, and the people of Yunnan."

In Yunnan, as well as at Canton and Nanking, we found the Chinese to be very fiendly with Americans, quite pro-American, and as the Chinese themselves said "America had a very good face in China now". We found that the public statements of President Wilson as to our reasons for entering the war, and his fourteen points of Peace had increased the Chinese good will and regard for America and Americans.

It is unmistakeable that the Chinse have a good will for America that is not felt for other countries, and that their dislike of Japanese and Japan's policies towards China are real and intense. If Matsui's intention was to discredit America, his mission was a failure. The sentiments expressed by General Tang in his speech of welcome regarding the President and American ideals is that expressed all over China by intelligent Chinese.

I left Yfu on February 22nd for Hanoi, where I was met by the personal Aide of General Leblois, Commander in Chief of all French troops in Indo-China. Every possible courtesy was extended to me by General Leblois, and his Staff. I left Haiphong for Hongkong on the French Mail Ship "André Lebon" on March 3rd; arrived at Hongkong March 6th; left for Canton March 7th; returned to Hongkong March 11th; left Hongkong for Shanghai on "Empress of Russia" March 13th; arrived at Shanghai March 15th; left Shanghai on morning of March 17th; arrived at Peking March 18th.

While in Shanghai I again interviewed Sun Yat Sen; Tang Shao-yi; Major Bassett, now demobilized and with the British American Tobacco Co. at Shanghai, and with Dr. Suhr, private secretary of the Chief Northern Peace Delegate, as well as Mr. Hsu, the Chief Delegate himself. Dr. Suhr is an American returned student, formerly President of Tsing-Hua College; is one of the best type of Chinese with whom I could speak confidentially.

In coming through Nanking, I was again able to interview Mr. Wen, the adviser of General Li Shun there, and again got in touch with recent developments along the Yangtze. Mr. Wen stated to me that the Yangtze Tuchuns had agreed to declare their neutrality in case of resumption of hostilities, and that in effect, this neutrality was an active opposition to the Tuan party. Mr. Wen informed me that the Japanese had stopped further supplies of ammunition and equipment to General Li Shun, due to the General's opposition to the War Participation Bureau, an organization made possible by the Japanese treaties, and that the General was desirous of getting more fifles and ammunition so as to be able to recruit more men.

If hostilities should resume, the most powerful weapon in the hands of the Foreign Legations is recognition by these Legations of the belligerency of either party. Intelligent observers in China are undoubtedly agreed that the best interests of China, as well as of foreign nations are with the Yangtze Tuchuns and the Southern group, as opposed to the Northern military. Consequently, a recognition of that group in case of resumption of hostilities would most certainly bedesired.

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REC'D, M. I. B., D. C. S. MAY 12 1919

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch
MAY 13 1919
2055-252

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SUBJECT . . . . . YUNNAN PROVINCE

WAR DEPARTMENT
NOTED: M.I.B.

FROM . . . . . H.A. . . . . .

NO. . . . 1979 . . . . . DATE . . . March 31, . 1919.

REPLYING TO NO. . . . . DATE . . . . . 1919.

CAPT. H. A. KENYON

Yunnan Province is the third largest province of China, with an area of 180,000 square miles, and a population of over 10,000,000. The only railway means of communication into the province is the French Railway from Haiphong and Yfu. This railway lays in a region of China adjacent to French Indo-China, and is claimed by the French as their "sphere of influence" in China. By means of differential tariffs, the French are attempting to exclude all non-French elements in taking part in the development of Yunnan or Indo-China. Excessive transit dues and import taxes are imposed on all except purely French products. This is designed to compel the natives to use French products only. The British and French Governments have an agreement that the French sphere of influence is a part of Yunnan bordering on French Indo-China, and that the British sphere of influence is that part of Yunnan adjacent to Burma, and there is general agreement that the nationals of one will not interfere upon the "sphere of influence" of the other. The French are very jealous of what they term their "sphere of influence", and resent any attempt on the part of other nationals to what they term interfering with their rights in the development of the Chinese within their district. A British railway through Burma into Yunnan is constantly under discussion, but never has been extended to any part of Yunnan. The easiest gradient into Yunnan province is along the West river of Canton, and then to Yfu. A lively caravan traffic exists along this route, notwithstanding the French Railway through Tonkin. Another caravan route into the Province is from the Yangtze Valley - Chentu to Sui-fu, thence through Chaotung into Yunnan Province.

Yunnan is a high rugged plateau, absolutely without roads or similar means of communication. Wheeled transportation for any troops expected to operate within the Province would be absolutely useless. Such troops must depend on pack transportation for movement of supplies. The natives themselves use small horses or donkeys and coolies. The limit of weight for the poney or donkey is about 150 pounds, and the coolie about 60 to 70 pounds. In this connection, it is interesting to note that the French have designed and equipped their troops in Indo-China with a mountain battery transported by coolies instead of mules. They have eight coolies carrying the barrell, eight on the trail, and four for each wheel, making a total of twenty-four coolies to each gun complete, in addition to the coolies needed for the transportation of the ammunition and other supplies. Coolies are used for the

transportation of this peace only. It is put into the battery and operated by French soldiers. This battery is undoubtedly designed particularly for use against Chinese bandits, so-called in Yunnan. The fighting between French native troops and Chinese troops along the frontier is almost constant. Fighting is in progress now, and there is an effort on the part of the French colonial party in France to include another slice of southern Yunnan and Kwangsi into French Indo-China. They base this claim on the assumption that the Lees tribes inhabiting southern Yunnan are not Chinese, and prefer French control. The British likewise are attempting to increase their borders from Burma into Yunnan, and place their claim on the opposition of the Shan tribes to Chinese control. This attempt on the partof the French and the British to extend their territories into China will explain the unfriendly feeling in Yunnan Province to French and British nationals, and the Chinese' appeal to Americans to assist them in maintaining the integrity of their country.

The climate of Yunnan is one of the most agreeable in the world, and Yfu is used by the French in Indo-China as a summer resort. The temperature varies from year to year from 65 to 75 degrees Fahrenheit with few exceptions.

Prevalent diseases.

The Chinese are unable to live in the valleys close to the southern border due to the fever that is prevalent in these localities. Foreigners, as well as Chinese suffer from this fever, which is possibly the result of a bite of a mosquito, and it is very much similar to the malaria fever. Any disease that may be the result of filth or bad sanitation that is prevalent throughout China may be found in this Province. The diseases of typhoid, dysentery, etc., are prevalent. A disease that seems to be peculiarly prevalent among the Chinese of Central Yunnan is goitre. The French official in charge of the hospital of Yunnan-fu informed me that 90% of the patients coming to his hospital for treatment were affected by goitre, and that in his opinion the disease was due to a germ contained in the water, and could be prevented by boiling and filtering all the water used.

Man Power.

The natives of south-west China differ from the natives of other provinces in that they feel themselves equal to the foreigners, and not their inferiors. The morale among the Yangtze troops is higher, and they are, therefore, naturally better fighters, and the troop organizations are more completely under the control of their leaders than is the case in any of the other provinces. Yunnanese are noted in China as among the best fighters in China. They are accustomed at home to long marches, carrying heavy loads in the mountainous regions that comprise their own forces; consequently, they are good marchers.

One of the best equipped, as well as the best disciplined divisions in China is the so-called 2nd Division under Tang Shao-yi, equipped by the Germans before the war. This Division has been reported on by former

Military Attaches. This Division has been kept recruited, and the equipment then issued is still serviceable, and the Division is now on active duty in Szechuan Province.

Terraine.

Yunnan is a high plateau, broken by numerous ranges of mountain ranges running nearly parallel in a north to south direction. The highest peaks have an altitude of 14,000 feet. The terraine is very difficult and broken, making rapid movement of artillery and any other heavy war material impossible.

Equipment.

The equipment of the troops of this Province, with the exception of the one Division ~~x~~ equipped by the Germans, is Japanese type, bought in Japan. There is a serious shortage of ammunition and equipment now due to lack of funds. There is an arsenal at Yunnan, formerly operated by the Governor, but now shut down on account of lack of machinery and proper funds for operation. I was approached by the agent of the Governor with an attempt to secure an American loan of ten miklion dollars for the equipment of this arsenal, and the material necessary for its operation. It is doubtful in my mind whether American capital could be induced to invest in such an enterprise at this time, due to lack of proper security, and I so stated to the Governor's agent. The Chinese are particularly desirous of building the railway direct from Yunnan and southern China to ~~the~~ some part of the Chinese sea coast, and in this way hope to avoid the high tariff and excessive import duties now necessary to get supplies to Yunnan through Tonking. Some such railway is included in the Siems-Carey Railway agreement with the Chinese. The Siems-Carey Company were unable to complete the surveys of this railway and commence work due to the recent disturbances in China. This railway will undoubtedly be completed as soon as conditions in China become such that work can proceed.

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MAY 16 1919
2055-255

S U B J E C T . . LIFE SKETCHES OF SOME CHINESE PROMINENT PER-

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. . . . H. A. . . . . WAR DEPARTMENT

. . . . 2001 . . . . DATE. . . MARCH 15th, 19th, NOTED 1919

REPLYING TO NO. . . . . DATE. . . . . 1919. .

Noted D. W. P., M. I.-5

There are submitted herewith a short sketch of the life of the following Chinese prominent persons:

CAPT. H. A. KENYON,
M. I. 5

CHANG KIA NGAN	張嘉璈
CHANG TSO LING	張作霖
Y. C. CHANG	
CHANG YI LING	張一麟
CHANG HSUN	張勳
CHANG KUO K'AN	張國淦
CHEN CHIN TAO	陳錦濤
S. P. CHEN	
CHIANG CHAO CHUNG	蔣作舟
CHIANG TSO PING	蔣作賓
CHIEN HUN HSIUNG	錢能訓
CHIN YUN P'ENG	靳雲鵬
CHU CHI CHIEN	朱啓鈐
CHU SHAO HSIN	朱兆莘
FAN YUAN LIEN	范源濂
FENG KUO CHANG	馮國璋
FU LIANG TSO	傅良佐
FU TSEN HSIANG	傅增湘
HSIA YI TING	夏奕鼎
HSIUNG HSI LING	熊希齡
HSU SHIH CHANG	徐世昌
HSU UN YUAN	許恩元
J.K.C. JUN KE-CHOY	俊克欽
KANG YU WEI	康有為
LI SHUN	李純
LIANG CHI CHAO	梁啓超

LIANG SHIH YI	梁士詒
LI YUAN HUNG	黎元洪
LIU CHING JEN	劉鏡人
LIU KUAN HSIUNG	劉冠雄
LU TSEN CHIANG	陸徵祥
LU TSUNG YU	陸宗輿
HANG HAN	韓南
SUN YAT SEN	孫逸仙
TANG CHI YAO	唐繼堯
TANG SHAO YI	唐紹儀
TIEN WEN LIEN	田文烈
TSAO TING CHEN	蔡廷幹
TSAO JU LING	曹汝霖
TSAO KUN	曹錕
TUAN CHI JUI	段祺瑞
TSUR CHI LIEN	
WANG CHENG TING	王正廷
WANG CHING CHUN	王景春
WANG TA HSIEH	汪大燮
WANG YI TANG	王揖唐
TYNDALL WEI	
WONG KEN	
WONG SHIH TSEN	王士珍
WU CHI SUN	吳笈孫
WU LIEN TEH	伍連德
T. H. YEH	
YEH KUNG CH'O	葉恭綽
YU PAO HSIEN	于寶軒

CHANG KIA NGAN

Chang Kia-ngan, Vice-Governor of the Bank of China, is only thirty years of age, although the position he is occupying is a responsible one. He is recognized in Baking circiles in the capital as an expert financier. Mr. Chang is a brother of Carson Chang, Secretary to the President, and a member of the War Commission. He comes from Paoshanhsien, Kiangsu.

Mr. Chang studied in the school of foreign language at the age of thirteen. The School was located at the Kiangnan Arsenal, which has sent forth many useful public servants, like Lu Cheng Hsiang, present minister of Foreign Affairs, and Ching Jen, Chinese Minister to Russia. After studying three years in that institution Mr. Chang entered the Politique School in Peking, where he studied for one year and a half. In recognition of his schoolarship, he was sent by the school to Japan to pursue higher education.

While in Japan Mr. Chang studied economics at the Keio University, which was founded by the famous Japanese scholar, Fukusawa. After the completion of his courses, he returned to China and joined the Board of Communication was a senior clerk. When the first revolution broke out, he went to Shanghai and actively participated in politics, although he was only a little twenty years of age.

In the first year of the Republic, Mr. Chang was appointed Secretary to the Military Governor of Chekiang, General Chu Jui. When the former Parliament met before the second revolution in 1913, he was made the Chief Secretary of the Senate. After the dissolution of the Parliament by the late President Yuan Shih-kai, Mr. Chang joined the Bank of China. Mr. Chang Jui, former Governor of that Bank, havingheard a good deal about Mr. Chang's ability, appointed him to be Vice Manager of the Shanghai Franch, Since 1914 Mr. Chang has remained in the service of that prime banking institution.

During the third revolution against the monarchical movement of Yuan Shih-kai in 1915, the Government proposed the suspension of specie payment. At first Mr. Chang strongly objected to such a proposal, but as he could not change the decision of the Government in this matter he redeemed all the Shanghai notes of the Bank of China with silver dollars. This action of his was highly praised by all the foreign banks. In consequence of it, the Shanghai notes of the Bank of China are still being used as silver dollars.

Last year, when Liang chi-chao was appointed Minister of Fiance,, he invited Mr. Chang to be the Vice-Governor of the Bank of Chian, which offer was accepted. In that capacity he served his bank so effifiently that he was elected a member of the Board of Directors by the shareholders at the beginning of this year, and was also re-appointed Vice-Governor.

The Vice-Governor of the Bank of China is a Chinese scholar like his brother, Carson Chang, He knows English and speaks some French.

General Chang Tsao Liang, Military Governor of Fengtien, is now visiting Tientsin, having arrived there last week. His presence is responsible for another Tientsin conference, now in session, to discuss the questions of the President, the Vice President and the fight against the Southern independents. Rumors are being circulated of his intentions to restore the baby emperor to the Throne if he fails to settle these questions.

Small in stature but strongly built, with a pair of hawk-eyes and wearing his hair closely cropped, General Chang is not quite fifty years of age. He was born a Hunghutzu of a red-moustache Robin Head, and as such received no education. When he grew up his bravery and iniative distinguished him and singled him out to be a powerful leader. During theRusso-Japanese War General Chang fought on the side of Japan and rendered no small service to the Mikado. After the war he and his followers surrendered to the Chinese Government at the request of Japan, which then needed their services no longer. By some arrangement these Hunghutzu were taken into the service of the Government, On account of their bravery and ability to fight and shoot accurately, they enjoyed special favors and received quick promotion. Naturally General Chang, as their leader, gained power and influence in proportion.

Upon the establishment of the Republic in 1911, General Chang Tsao-ling was appointed Military Governor of Fengtien, which position he is still holding today. At first he commanded the 27th Division, and now he has more than 40,000 soldiers under his control. When he was first appointed Military Governor of Fengtien, he made his men take the following oath:

"I hereby promise to protect the Tuchun (Military Governor) to maintain peace and order, to do my duty, to refuse to obey orders from others and to put an end to the lives of traitors. If I should break my oath, let the bullet pierce my heart, and if I did not really mean what I had said in this oath, may my mother become a harlot. If I should prove false to the Tuchun my children shall become thieves."

General Chang served the late President Yuan Shih-kai faithfully, but when Yuan's monarchial movement in 1916 was about to collapse, he completed General Tuan Ch'i-kuei, the present Minister of War, who was then Civil Governor of that province, suporter of the movement, to leave Fengtien, Asked why he refused to support Yuan Shih-kai, whom he had urged to ascend the Throen, General Chang replied: "I was mnly making a figure of apeech when I asked Yuan to ascen the Throne".

After the restoration of the Republic in 1916, General Chang's influence has become greater than before. When the Govdrnment, for instance, was about to institute an investigation of many charges preferred against him by his dissatisfied followers, he mounted machine guns and fortified his office to show signs of defiance. The Government had finally to recall the investigation officials.

General Chang Tso-ling assisted the present Prime Minister, General Tuan Chi-jui, in restoring the Republic for the second time last year, when it was overthrown by General Chang Hsun, who is now a prisoner in the Dutch Legation. He usde his troops to make the President retire General Wang Shih-cheng last march and appoint General Tuan the Prime Minister for the second time.

(General Chang Tso-ling)

His troops are now scattered all over the country from Peking to Hunan. Some of them are fighting on the Hunan front. An unqualified supporter of General Tuan Chi-jui, General Chang himself is aspiring to be the Vice-President of the Republic, although he may be made Inspecting Commissioner of the Three Eastern Provinces.

Chao Erh-hsun, President of the Ching History Bureau, is one of the few Chinese statemen whom General Chang Tso-ling respects. When Chao Erh-hsun was Tartar General at Mukden, General Chang surrendered to the Government. A few years later when Mr. Chao was appointed Viceroy of Manchuria, General Chang again serveved him.

(MILIARDS'S REVIEW AUGUST 10, 1918.)

Y. C. CHANG.

The appointment of Dr. Y. C. Chang as president of the Tsingtao College was published in the Government Gazette a week ago. At the time of appointment, Dr. Chang was Secretary of the Ministry of Foreign Affairs and Secretary to the Tariff Revision Commission now sitting at Shanghai. The latter position, will be retained until the completion of the tariff revision, and Dr. Chang will not assume his new office at present.

Dr. Chang, born at Canton in 1880, studied at the Anglo Chinese College, Foochow, from 1890 to 1891, and at the Queen8s College in the following year, Then he came to the North and studied at the Peiyang University. From 1898 to 1899 he studied at Imperial Tokio University, Japan. During the period he was awarded carious prizes for high standing in Chinese and English and Athletics. In August of 1901 Dr. Chang arrived in America to pursue a high education. He studied law in the University of California and Yale Univristy, where he graduated with a degree of L.L.B. in 1903 and M.L. the following year.

When the Chinese High Commissioners were appointed to go to Europe and America for the investigation of constitutional governments between 1905 to 1906, he was appointed an attache. Upon his return he receives the degree of Chin Shih, equivalent to the foreign degree of Doctor of Law, from the government after a competitive examination. From 1906 to 1907 Dr. Chang was Inspector of schools in Shansi, Chihli, Shantung, Honnan, etc. The next year found him as second secretary to the Chinese Legation in Japan. From 1910 to 1911 he was prsident of the College of Communications, Peking. He was promoted to be Secretary to the President and Councillor of the Ministry of Foreign Affairs soon afterwards. From 1913 to 1915 he was Commissioner of Foreign Affairs for Kiangsu and Anhwei.

CHANG YI LING.

Coming from a great literary family, Chang Yi-ling, Chief Secretary to President General Feng Kup-chang, is a great scholar himself. When Yuan Shih-kai was President, he was also his Chief Secretary, and then wielded immense power in the Presidential Palace.

Born in Soochow, Mr. Chang is now over 50 years of age. When he was thriteen years old, he received a literary rank by competitive competitive examination which was above the equivalent of an A.B. degree. At the age of twenty he obtained his M.A. degree. From that time on he served for a number of years as a private tutor to scholars coming from all over the country to study. He can count many prominenet men as his former pupils. Both Wang Yu Yuan, present Chief of the Financial Bureau of the province of Chihli, and Wang Jui-kai, former Civil Governor of Kiangsi, for instance, received instruction from Mr. Chang.

Mr. Chang's father was a famous literary man, having served as Magistrate in several province. One of his brothers is now Vice Minister of Justice, Chang Yi-peng, who taught for some time in the Soochow University. His elder brother, also a scholar, died a few years ago.

After passing the Imperial Examination for Specially Talented men shortly after 1900, Chang Yi Ling asted as secretary to a number of high provincial officials. His literary talent attaracted the attention of Yuan Shih-kai, Viceroy of Chihli, who invited him to be his secretary. Later he was promoted to be Viceroy Yuan's Chiaf Secretary, and in that capacity he helped model the educational system of Chihli along modern lines.

When Yuan Shih-kai become President Mr. Chang was appointed Chief Secretary of the President's Office, which office he held for almost three years. He rsigned as an expression of his disapproval when his chief aspired to be Emperor of China, set the monarchical movement affot, and refused to listen to his advice that it was not wise to make this bold attempt. As soon as he got out of the President's office, Mr. Chang was appointed Minister of Education, which office he held for a few months only. Later he retired from public life and stayed in Soochow as a common citizen.

Only shortly afterwards, Vice President Feng Kuo-chang invited Mr. Chang to be his Chief Secretary, which offer he accepted. When General came to Peking to be President, Mr. Chang was promoted to be the Chief Secretary of the President's Office, He is still holding this position.

Mr. Chang is considered an honest and straightforward man He is well liked by officials in Peking.

Chang Hsun, a native of Kiangsi Province, is 62 years old. He is high shouldered, thick necked, with a sloping forehead, bushy brows, a white skin and a slender blank queue. He speak rapidly in a high, but not unpleasant voice, is always thoughtful and serious, stubborn and decided in his arguments, frank in his condemnations, courteously formal with his guests, but ready to smile brilliantly at every touch of homour. In short he is as likeable in persons as he has come to be hateful in reputation. For many years Chang Hsun has been heartily maligned by foreigners in China as a matter of principle, but these who have met the man are invariably victims.of his personality and are his sturdy apologists.

He is a "Southerner" although his military affiliations have been with the northern leaders for nearly 25 years. He began his career as an unlettered servant to Sun Kung-pao, a famour border commissioner in the French War in Tonkin in 1882-92. In this service he was associated with Lu Yung-ting, now Commissioner of the two Kuang provinces, and under Sun he rose to a position of confidence and trust. When his old chief was in bad adour Chang Hsun was sent to Peking with a large sum of money to make "presents" among high officials. With this money he had a glorious time in the Capital. He was over scrupulous, it may be remarked. Somewhat later he appeared at Wuchang where he tried to get a military appointment under a viceroy. For a long time he had a little cussess, but he was a favorate in the barracks where he made a name for himself as boxer and wrestler, so in due course he received an appointment which took him to Nanking, where he served until after the Japanese War. When Yuan Shih-kai established the first camp for the training of the Model Army near Tientsin Chang Hsun put his appearance there and acted in various capacities - first as a recruiting officer, at the handsome salary of $70 a month, according to reliable accounts. Under the of Yuan and the Manchua he rose steadily in rank and in honour. He became a favorite with high officials on account of his energy and the decision with which he executed orders. He is said to have accompanied the Empress Dowager in her flight to Hsianfu in the Boxer year as a mafoo - a groom - and while he certainly held a military rank at that time which would have exempted him from such service it is perfe-ctly possible that if there were a mule which needed driving and if there were no one at hand to drive it, Chang hsun would not have been found wanting in that capacity. The story of his rise thereafter is wellknown. As a brigade general he held office at various posts in the western provinces, and was commander in chief in Kansu in 1908.

When the revolution broke out in 1911, he was commander-in-chief of the Kiangnan forces at Nanking, and after resisting a seige by the Republicans with the same sort of ill-drilled and ill-equipped forces which he recently brought to Peking, he committed various cruelties upon the population and escaped from the city with his army, making his way to the north bank of the Yangtze River. Then for the first time he took control of the Tientsin-Pukow Railway, with which his name is associated in the minds of a most foreigners, and made his camp a postable one by commandering all the rolling stock and housing his men in his care. From this position he refused to move, even after the establishment of the Republic, and in 1913, in Yuan Shih-kai's service he revenged himself by taking Nanking from the rebels and permitting his troops to sack the city. In the indiscriminate slaughter of Chinese, two Japanese were killed and Chang Hsun was forced to apoligize to the Japanese Consul. To cover this specific humiliation he called immediately afterwards upon all the foreign Consuls in an apological frame of mind. There-

after he was replaced by Feng Kuo Chang and once more he took up his position on the Tientsin-Pukow Railway.

Ever since the establishment of the Republic Chang Hsun has been looked upon as the champion of the resactionaries, the soldier-sage, who was eventually to put into effect the monarchical schemes of Kang Yu-wei and the Manchu princes. During these five years and more, his headquarters, latterlt at Hsuchowfu, have been carefully guarded breeding ground of conspiracy and the refuge of suspected loyalists. In the past he has been cautions and discret, and although an enemy of the Republic he has been instancely patriotic. While his followers schemed in the past for foreign assistance of one sort or another thier plots were never pleasing to Chang Hsun, and in an interview with the agent of a certain power one of his confidential followers is known to have repudiated advances with the significant remark that Chang Hsun would never consent to be a Wu San Kuei (who sold out the Mings to the Manchus about 1644)

Before his arrival in Peking Chang Hsun's fanatical loyalty was never marked by either indiscretion or selfishness. His much advertised ignorance is some what exaggerated. There are many stories told of his inability to distinguish state documents from lanudry ~~xxx~~ tickets, but he has learned in the course of his career to read and write, and can quote the Confucian classics. with some points.

When left Hsuchofu for Tientsin on June 7, 1917, he had clearly in mind the re-establishment of the monarchy, and his decision was based upon the opinions expressed by the Military Governors who visited him in his headquarters. He therefore summoned the manarchist leaders to meet him at Tientsin. Arrived there he changed his mind, decided to support the Republic for a time longer and ordered the manarchists home again. He sent on the 8th June 2000 soldiers as body-guards to Peking and at the same time demanded that unless the President issued a Mandate dissolving Parliament he would not be responsible for any trouble that may occur and would not come up to Peking to be a mediator. Being terrorised and for fear of placing the Capital in danger the President issued the Mandate on the 13th June, and Chang Hsun came up on the 14th at 2:40 accompanied by Li Chin Hsi and some other military officers.

Arrived in Peking, when Li Chin Hsi proved himself a bending reed, he again changed his mind and sent out the call for all the monarchists and restored the Manchus and made Hsuan-tung re-enthroned on July 1st 1917. He was then appointed by Imperial Decree the High Minister of the Council of Regency. He was the life and the soul of the Manchu Restoration round whom the Imperial cause gravitates.

Seeing his expected failure after General Tuan Chi-jui had taken up the leadership of the Republican Army, he firstly resigned the post of the High Minister of the Council ov the Regency on the 8th, July, 1917. When he was surrounded by the Republican Army in Peking he rejected the suggestion of Diplomatic Corps and attempted to flight, but was defeated and then he fled to the Netherlands Legation. He is now staying in the German Barracks. Removed to the Netherlands Legation on October 3rd, 1917.

CHANG KUO K'AN.

MINISTER OF AGRICULTURE AND COMMERCE.

Chang Kuo-k'an, a native of Hupeh Province, was Assistant in the Bureau of Estimates, May 27, 1911: retired on 2nd November, 1911.

After the Revolution he was appointed Director of Chien Hsu Chu (Bureau of Presidential Mandates and Orders) on May 7, 1912; Secretary to Cabinet, October 6, 1912; given 1st class Chia Ho Decoration, October 10, 1912; resigned on 17th, October, 1914 and was given on October 25th, the 2nd Class Wen Hu Decoration.

Appointed Vice Speaker of Political Discussion Commission on December 14th, 1913; Vice Minister of Interior on May 5th, 1913; resigned owing to death of mother.

Appointed Chief Secretary to Tsan Chan Yuan on 26th, May; given by President a Tablet of Honor in favor of his mother on 31st May 1914,: appointed a member of Tsan Chen Yuan on 14th, November, 1914; given the title of Honor of Shao Ching on 27th, January 1915.

Appointed Minister of Education on 23rd, April, 1916; resigned on 30th, June, 1916. Appointed Minister of Agriculture and Commerce and act concurrently as Minister of Justice on 3rd June 1916.

Transferred to Heilungkiang as Civil Governor; resigned on 15th November, 1916, and was given the 2nd Class Pao Kuang Chia Ho Decoration.

Appointed Minister of Agriculture and Commerce on July 15th 1917. Resigned on December 1st, 1917.

Dr. Chen Chin Tao, born in Nanhai, Kwangtung, 1870. Married. Graduated from Queen's College, Hongkong. Was instructir at Queen's College and professor at Peiyang University. Arrived in America, 1901, Government support. Studied Mathematics and Social Science at the University of California 1901-2. Political Economy at Yale University, 1902-6, M.S., 1902: ph. D., 1906. Subject of doctor's dissertation:- "Secretary Circulation". Returned to China, 1906. Was Inspector of Education at Canton and Peking; Inspector of Taching Government Bank. Chief of the Department of Financial Statistics in the Ministry of Finance. Vice Director of the Bureau of Printing and Engraving. Chariman of the Currency Reform Commission. Vice Governor of the Taching Government Bank. Member of Tse Chen Yuan. Vice President of the Ministry of Finance in Yuan Shih-kai's Cabinet. Minister of Finance, Nanking Provinsional Govèrnment. Representative to the International Conference of the Chamber of Commerce, Boston U.S.A. Commissioner to select site for Chinese Government Pavillion at the Panama-Pacific International Exposition, San Francisco. Auditor General of the Central Audit Bureau. Financial Commissioner to Europe. Advisor to President. Acting Minister of Foreign Affairs. Minister of Finance, 1916-1917, when he was arrested on the charge of bribery case. Released by a Presidential mandate on the 6th, February, 1918.

S. P. CHEN

Dr. S. P. Chen, Medical Expert in the Ministry of the Interior, Medical Superintendent of the Governmenr Isolation Hospital, obtained his priliminary education in the Federated Malay States, where his scholartic career was so promising that a special sholarship was created for his benefit. His professional education commenced at Caius College, Cambridge, where he also distinguished himself by being appointed one of the assistant Demonstrators in Anatomy in the University Laboratory early in his third year. Here he passed his Natural Sciences Tripos with honors. He underwent his hospital training at St. Thomas Hospital, London, one of the largest and best equipped institutions of its kind, on the completion of which he took the medical and surgical degrees of his old University. He then served a year as Senior Resident Surgeon at the Western General Dispensary in London, thus acquiring a considerable amount of practical experience which he had found most useful in his work in China.

While acting as Chief Medical Officer in Harbin, Dr. Chen received an invitation from the Ministry of the Interior to come up to the Capital for the purpose of organizing the Government Isolation Hospital, the first of its kind in the country. During the three and a quarter of years of the existence of this institution, a large number of infectious cases have been cared for, which would have otherwise been at large and been the means of spreading infection, perhaps with fatal results, to many more. During the floods in the autumn of 1917, and when the danger of epidemic outbreaks was threatening on account of the presence of large numbers of refugees in Tientsin, H. E. Hsiung Hsi-ling, director general of the Government Flood Relief Bureau, appointed Dr. Chen to be his Chief Medical Officer of Health. As a result of Dr. Chen's preventice measures no outbreak of epidemic disease occurred.

In the recent outbreak of pneumonic plague in Shansi, Dr. Chen was on of the three commissioners appointed by the government to cope with the situation, the portion of the work entrusted to his care being the protection of the entire length of the Peking Suiyuan Railway and the prevention of the spread of the deadly disease to Peking, Tientsin and other important centers.

With his wide experience of infectious fevers, Dr. Chen is looked upon by his foreign colleagues as an authority in such cases, his advice being frequently sought after and acted upon by the foreign doctors in Peking.

GENERAL CHIANG CHAO CHUNG

Chiang Chao-chung, General, native of Anwhei, was Acting Commander of Gendarmerie, July 14, 1912, Deputy Lieutenant General, Bordered Red Chinese Banner, August 19, 1912. Appointed Chief of Gendarmerie, Peking, since 1914. Acting Premier, June 13th, 1917 and on this day he countersigned the Mandate dissolving the Parliaments. Relieved from Premiership on June 24 by Li Chin Hsi. He was forcibly made to support the Manchu by General Chang Hsun. After the restoration he was appointed Chief of Gendarmerie again. Created Ti Wei Chiang Chun on August 11, 1917, and his position of Chief of Gendarmerie was succeeded by General Li Chang Tai.

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GENERAL CHIANG TSO PING

Chiang Tso-ping, Genera,, born at Ying Chen Hsien, Hupeh, in the year of 1883. After graduation in a middle school he studied in Japan, and is a graduate of the Training school for military officers in Japan. Chu-jen in the Chineg Dynasty. Played a prominent part in the late revolution, for agitated for a long time. He was Lieutenant General of the Army, and was the Vice Minister of War, appointed on January 4, 1912. He was a member of Tung Meng Hui (the Revolutionists' Party), headed by Sun Wen. Following the steps of President Li he resigned from office of Vice Minister of General Staff, and is preparing to go abroad.

CHIEN NUN HSIUNG.

Chien Nun-hsiung, born in the province of Chekiang, and over fifty years of age, is now Acting Prime Minister of China, and an intimate firend of the new President, Hsu Shih-chang. His father was a high official under the Tsing Dynasty.

The Acting Premier took his first literary examination in 1893, when he was a young man, and was awarded the degree of A. B. In 1898, which year was made memorable by the famous reform decree issued by the late emperor Kuang Hsu inspired by K'ang Yu-wei, Mr. Chien took the metropolitan examination and received the degree of doctor of literature, the highest degree which could then be conferred upon a Chinese scholar.

Shortly afterwards, Mr. Chien was appointed Senior Clerk of the Board of the Interior. For several years, he functioned as a metropolitan official. When Hsu Shih-chang, who was the President of the Board of Interior, was appointed Viceroy of Manchuria in April of 1907, Mr. Chien accompanied him thither and was made his senior councillor, with Tang Shao-yi as junior councillor. Upon the recall of Mr. Hsu from Manchuria to head the Board of Communications in 1909, Mr. Chien received the appointment as Governor of Shensi, which position he held for several years.

When the first revolution in 1911 broke out, which resulted in the establishment of the present Republic, Mr. Chien tried to commit suicide because he opposed the over throw of the Manchu government and the introduction of a new form of administration. He fired a bullet into his abdomen, but fortunately the wound was not dangerous and he recovered. This act of his was considered loyal and patriotic. After his recovery, he resigned the governor-ship of Shensi and retired into private life.

Three years later Mr. Chien rejoined the civil service upon the urging of President Yuan Shih-kai, and was appointed Vice Minister of Interior, with which Minister he was well acquainted through his early connection. In 1915, when Hsu Shih-chang was made Secretary of State, he was appointed one of the two Assistant Secretaries of State. During the period he attended to most of the state affairs on behalf of his chief. He retired together with Mr. Hsu shortly before the manorchical movement to make Yuan Shih-kai the Emperor.

In 1917 Mr. Chien was appointed chief of the Administrative Court. In the spring of 1918 he became Minister of Interior, which position he is still holding although he was appointed on October 10 to act as Prime Minister. It is believed that he will continue acting as chief of the cabinet during this transi-tionary period. His office will in the President's office so that the new President can directly participate in the transaction of state affairs and particularly in the future negotiations for reconcilation with the South.

CHIN YUN-P'ENG.

Chin Yun-p'eng, also known as Chin Yeh-ch'ing, is a native of Tsi Ling Hsien, Shantung Province. Commander of Division in Shangtung; temporarily in charge as Tutuh of Shantung, August 18, 1913. Acting Tutuh, September 17, 1913. At the time of monarchical movement of Yuan he was replaced by Chang Hwai-tze. Chin Yun-p'eng then came to Peking and followed Tuan.

Chin Yun-p'eng left for Japan as ordered by Tuan to inspect 'Drill' at the beginning of November, 1917, and after travelling through Japan returned at the end of December, 1917. He has been appointed Aid-de-camp to the President, and he formally assumed office on the 27th.

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CHU CHI CHIEN.

Chu Chi-chien is a native of Kweichow. In the Tsing Dynasty he received the degree of M.A. through competitive Chinese examinations. After having held various government offices, Mr. Chu was appointed to assist in the management of educational affairs for the Capital. In 1904 he was appointed Superintendent of Peking Inner Police. In 1907 the present President, Hsu Shih-chang, was appointed Viceroy of Manchuria, and soon after the appointment, he recommended to the Throne that Chu Chi-chien be given the office of Director General of Mongolian Affairs, The Throne approved of the recommendation and gave him a handsome monthly salary.

Later, Hsu Shih-chang sent Mr. Chu abroad to study the problems of colonization in order that he might be of assistance in clonizing Manchuria. Upon his return, Mr. Chu was engaged by a Viceroy of Manchuria as his adviser. On account of his disagreement with General Tien Liang, a member of the Government Council, he returned to Peking and was subsequently appointed director of one section of the Tientsin Pukow Railway in 1909.

Chu Chi-chien was taken into confidence of the late President Yuan Shih-kai upon the recommenddation of Hsu Shih-chang. In July of 1912, he was therefore appointed Minister of Communications when Lu Cheng-hsiang was Prime Minister He retained this office after Chao Ping-chun had succeeded Premier Lu. In July of 1913, when the second revolution was at its height, Mr. Chu was appointed Acting Prime Minister, but he did not accept the post on account of political expediency. On September 11 of the same year, when the revolution was suppressed, he became the Minister of Interior, which position he held for almost two years.

In the winter of 1915, Yuan Shih-kai started the movement to make himself Emperor, and Chu Chi-chien played an important part in the movement. Upon the death of Yuan Shih-kai after the failure of his movement, Mr. Chu resigned the office of Minister of Interior, and was ordered to be arrested on account of his connection with the imperialistic movement. He retired to Tientsin.

In the summer of 1918, the new Parliament was convoked, and Chu Chi-chien was elected Vice Speaker of the Senate. A few days before this event, the government issued a mandate pardoning those who were associated with the Yuan Shih-kai monarchical movement. However, Mr. Chu declined the honor, and a few months later a new Vice Speaker of the Senate was elected. Chu Chi-chien has now been appointed Chief of the Northern peace

delegation

CHU CHI CHIEN

delegation to the Chinese peace conference. He has the confidence of the present President, and is considered a powerful leader of the Chaotung Clique or Communications Party.

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CHU SHAO HSIN.

Chu Shao-hsin, prior to his appointment as Consul General to San Francisco, was English Secretary to the President, General Feng Kuo-chang. His acquaintance with the President was made when he was Commissioner of Foreign Affairs for Kiangsu with headquarters at Shanghai. At that time General Feng was Vice President of the Republic, his office being in Nanking.

Born in Canton, Mr. Chu is thirty sight years of age, and is a Chinese scholar. He received the rudiments of education in a country school in his home district. From 1894 to 1903 he studied at the Kwang Ya College, Canton, where he distinguished himself in scholarship. From 1903 to 1907 he attended the Government University in Peking, where he took a number of course in law. He received an A.M. degree from the University at the time of his graduation. He went to America soon afterwards to pursue higher education.

Mr. Chu arrived in the States in February, 1908, as a Government support student, chosen by competitive examinations. For three years he studied commerce and finance at New York University. From 1911 to 1912 he took up the study of political Science and Law at Columbia University. He graduated with the degree of B.C.A. in 1911; and M.A. the following year. In December of 1912 he returned to China, when the first revolution was barely over. First he joined the Government University in Peking as a full professor. Later he was appointed Secretary and Political Councillor to the President of the Republic. At one time he was Mixed Court Magistrate of Kulangsu in Amoy, Fukien, which office he filled with credit to himself. During the senatorial election soon after the establishement of the Republic, he was elected a Senator. Upon the dissolation of the Senate in 1913 by President Yuan Shih-kai he practised law in the Capital with considerable success, making amny friends among the older officials.

Mr. Chu is a member of the Lawers' Association in Peking. When the Kuomingtang people returned to power in 1916, he was appointed Special Commissioner of Foreign Affairs for the province of Kiangsu. When General Feng came to Peking to assume the Presidency, he asked Mr. Chu to join him as his English Secretary.

Mr. Chu has several children, who went with him to the United States. As he speaks fluent Cantonese, it is believed that he will be able successfully to hold this difficult position as Consul General of San Francisco, where are resident many Chinese, most of whom are from Kwangtung.

FAN YAUN LIEN.

MINISTER OF EDUCATION.

Fan Yuan-lien, also known as Fan Chin Sung, is a native of Hsiang Ying Hsien, Hunan Province.

He has wide reputation as a Chinese Scholar.

On the formation of the First Republican Cabinet, on 7th, April, 1912, he was oppointed Vice Minister of Education; on July 26, appointed Minister of Education, resigned on January 23, 1913.

Again appointed Minister of Education on 13th, July 1916, and was given the 2nd Class Pao Kwan Cha Ho Decoration on 19th, October.

Ordered by Mandate on January 1st, 1917, to concurrently take charge of the Ministry of Interior.

Appointed Minister of Education July 15 1917. Resigned Decembr 17, 1917.

HSU SHIH CHANG.

Hsu Shih-chang, one of the several living statemen who held high official positions during the Manchu Dynasty, is the most hopeful candidate for the presidency in the election to be held in September this year. He is now staying in Tientsin, which has recently assumed political importance.

Mr. Hsu is a fellow procinical of the late President Yuan Shih-kai, who provided him with travelling expenses when he wanted to come to Peking to take examinations. He wassadpoor scholar in his youth. After having successfully passed the metropolitan literary examinations, Mr. Hsu was given official positions of various ranks, which he held until 1905, when he was appointed Probationary Grand Councillor. Shortly afterwardshe was made Minister of the Government Council. In February of 1906, he was promoted to be grand Councillor. In November he was ramoved from the Grand Council in consequence of certain reform measures which he recommended to the Throne and which offended the Court. But one month later he was appointed to head the Special Mission to Manchuria. Upon his return to the Capital, he was asked to be the President of the Board of the Interior April of 1907 he was appointed Viceroy of Manchuria, where he stayed until February of 1909, when he was recalled and appointed President of the Board of Communications. Five Months afterwards,,he became Director-General of the Tientsin Pukow Railway.

At the beginning of 1910, Mr. Hsu was made Grand Secretary, and Grand Councillor in August. In Prince Ching's Cabinet, which was organized in May, 1911, he was given the position of Associate Prime Minister. This position he resigned shortly afterwards in order to accept the office of the Vice-President of the Privy Council on November 1, 1911. Although he is a literary man, Mr. Hsu wasappointed Chief of theGeneral Staff in the same month. The next month he was suthorized by an edict to be high Commissioner for Training Imperial Guard, and Grand Guardian to the Emperor, the most honorable postion he could ever desire under the Manchu Dynasty. In February 1912, he was relieved of the office of Chief of the General Staff. On the resignation of the Prime Regent, Hsu Shih-chang he was appointed, together with Shih-Hsu, Grand Guardian of the Emperor.

After the first revolution Mr. Hsu did not participate in the Governmen of the country until 1915, when he was appointed Secretary of State of the Republican Government He served the Republic in that capacity for ten months, and then resigned. He was a "sworn brother", of the late President Yuan Shih-kai. With Chao Erh-hsun, Li Ching-hsi, and Chang chien he received the title of "The Four Friends of Sungchan" at the time when the late President Yuan Shih-kai over threw the Republic and established a Dynasty of his own, which was however shortly lived. Since then, he was lived a retired life. But he exercises considerable influence upon some of the old military officers who used to serve under him.

(Millard's Review July 27, 1918.)

PRESIDENT FENG KUO CHANG.

President Feng Kuo Chang, who is the most hopeful candidate for the presidency at the election in September, only next to Hsu Shih-chang, was born in the province of Chihli, and is over fifty years of age. He studied in a military college in Tientsin when he was a young man.

When the late President Yuan Shih-kai trained new troops along modern lines at Shiao Chan after the Boxer rising, President Feng was one of his three able assistants, the other two being General Wang Shih-cheng, former Prime Minister, and Prime Minister Tuan Chi-jui. He received much of his military experience from Yuan Shih-kai, whose ability he highly respected.

In January of 1906, President of General Feng was appointed Director of the Noble's College with the rank of Deputy Lieutenant General. Six months late he was promoted to be Director of the Military Council in the Board of War when his patron, Yuan Shih-kai, was all powerful. In August of 1909, General Feng was appointed a Director-in-chief of the General Staff.

During the first revolution, General Feng achieved much merit by defeating in several engagements the independent forces. In command of the first Imperial Army at Wuchang, he succeeded in recapturing Hanyang, a stragetic position, from the revolutionists on November 27, 1911, a memorable day for himself. For this victory he was rewarded by the Manchu Court and given the rank of Baron of the 2nd Class. Subsequently, General Feng was recalled to Peking, and was nominated Commandant of the Imperial Guard in p place of Prince Tsai Tao, which was considered a high promotion.

In December of 1911, General Feng was sent to Chahar as Lieutenant Governor of the Special Administrative Area. Upon the establishment of the Republic, he was recalled to Peking and appointed Chief of the President's Military Council. Later he was given the position of Tutuh (Military Governor) of the province of Chihli. This appointment was gazetted on September 11, 1912, together with an order to retain the post of Commandant of the Gendarmerie or the Imperial Guard. On Jluy 23, 1913, General Feng was appointed Commissioner of Pacification in Central China. Whilst holding this office, he participated in suppressing the second revolution, which lasted from July to August, and was present at the recapture of Nanking from the southern forces under the command of General Wang Hsin, one of the most well-knwon revolutionary leaders at the time. After the suppression of the revolution, General Feng was appointed Military Governor of Kiangsu, with headquarters at Nanking. In 1914 he was given the rank of Field Marshal. Later he acted as Chief of the General Staff during his visit to Peking. In December of 1915 he was created Duke of the First Order by the late President Yuan Shih-kai, when the latter attempted to make himself Emperor.

After the death of the lat President Yuan Shih-kai, General Feng was elected Vice-President of the Republic upon the assumtion of the office of President by General Li Yuan-hung, the then Vice President. He was holding the concurrent post of the Military Governor of Kiangsu with his office at Nanking. Upon the resignation of General Li from the presidency during General Chang Hsun's monarchial movement last July, General Feng became President according to the constitution. At present he is Acting-President in reality, as he is serving out the term of the late President Yuan Shih-kai and also former President Li Yuan-hung, who voluntarily resigned . President Feng has several sons and daughters, who are living with him in the Presidential Palace.

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GENERAL FU LIANG TSO & FU TSEN HSIANG.

Fu Liang-tso, General, a native of Hunan Province, was Assistant Secretary to the President, April 1912, Acting Commissioner of Occupation, June 28, 1913. He is a close follower to General Tuan Chi-jui. He accompanied General Tuan to Tientsin when later was dismissed from the Premiership. He came back with General Tuan after the restoration of the Republic and was appointed Vice Minister of War. On August 6, 1917, he was appointed Tuchun of Hunan and is now on his way to assume his new office after a long hesitation. Left Hunan unofficially on 8th October and was dismissed from office . He came up secretly to Peking interviewed Tuan Chi-jui and then removed his family to Tientsin.

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FU TSEN HSIANG.

Fu Tsen-hsiang is a native of Luchowfu, Szechuan Province and is about 27 years old.

In 1898 he secured the literary degree or Chin-shih. When Yuan Shih-kai was Viceroy of Chihli Proinvce he was one of his secretaries, and at the same time Director to the then established Peiyang High School for Girls. Later he was Educational Commissioner of Chihli.

He established the Peking High School for Girls.

At the same time of the revolution when Tang Shao Yi was elected the Special Delegate for the negotiation of peace, Fu Tsen-hsiang was elected Representative of Szechuan Province and followed Tang Shao Yi to Shanghai.

In 1914, he was appointed Member of the Constitutional Drafting Committee. Later he lived a retired life at Tientsin.

Appointed Minister of Education on December 4, 1917.

HSIA YI TING.

Here is a typical case of climbing up the latter from the last of the steps, and no doubt it requires great tenacity of purpose.

Beginning his diplomatic career as a student interpreter of the Chinese Legation in Berlin, Hsia Yi-ting, now Chinese Minister to Brazil, filled successively and successfully the offices of Attache to the Legation in Spain and of Secretary to the Legation in Paris. At one time he was charge d'Affaires of the Legation in Spain. Next he became Consul General in Yokohama, Japan. Later he was Councillor of the Special Diplomatic Mission sent to Belgium and France. Two years after the establishment of the Republic, Mr. Hsia was made Secretary of the Cabinet, and afterwards of the Ministry of Foreign Affairs.

In 1915, when Lu Cheng-hsiang was recalled from Switzerland where he was recuperating his health to became Minister of Foreign Affairs to handle the delicate negotiations over the twenty demands presented by the Japanese Government, Mr. Hsia was appointed Councillor of the Ministry. After the failure of Yuan Shih-kai's monarchical scheme, he created the Politics Studying Commission, of which many prominent foreign advisors like Dr. Morrision, Dr. Willoghby and Dr. Arigs, were members. Later on he was promoted to the office of Vice Minister of Foreign Affairs and officiated as Minister just before the assumption of this important office by Dr. Wu Ting-fang. Before his appointment to the present post, Mr. Hsia was Advisor to the President's office and the Cabinet, besides serving as a prominent member of the War Commission.

Mr. Hsia is a native of Kiangying, Kiangsu, not very far from Nanking, on the Yangtze River. He is forty years of age and his three charming daughters whowill go with him to Brazil. Mr Hsia departed from Shanghai on April 13 for Vancouver, B.C., and from there he will proceed to Brazil via New York.

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HSIUNG HSI LING.

Hsiung Hsi-ling, Director General of Flood Relief and Conservancy, and the Canal Improvement Board, and President of the Commission for the improvement of the River System of Chihli , is one of the most active officials trying to bring about China's domestic peace. He has declined the President's offer to make him Prime Minister again, as he prefers to head the peace movement, which he considers as of the greatest important at the present. President Hsu then offered to make Mr. Hsiung one of the Northern delegates to the Chinese Peace Conference, and this offer has also been declined. Mr. Hsiung believes that in case the representatives from North and South China should fail to arrive at an understanding, he can help remove differences if he were not one of them.

Mr. Hsiung is fifty years of age, and was born in Hunan. He was a metropolitan graduate of 1894, and a prominent Hanlin scholar. He was an intimate friend of the reformer Kang Yu-wei, and after the latter's downfall, he was arrested, but promptly released.

1905, Mr. Hsiung accompanied Tuan Fang on his foreign mission. On that occasion, he visited America and Europe. Upon his return to China, he submitted to the Throne a report on the constitutional governments abroad.

Mr. Hsiung held posts in the Board of Agriculture, industry and Commerce of Kiangsu and Fengtien. He was a principle assistant of Chao Erh-hsun when the latter was Viceroy of Manchuria. In 1910 he was made Acting Commissioner of Foreign Affairs in Hupeh. At the time of the Wuchang outbreak, Mr. Hsiung was Finance Commissioner at Mukden. Soon afterwards he went south and joined the republicans. Later he became Chairman of the Republican Committee in Hunan.

Upon the establishment of the Republic, Mr. Hsiung was appointed Minister of Finance in the first republican cabinet. He was responsible for the conduct of the loan negotiations with the International Banking Group for the first reorganization loan from his time of arrival at Peking until he resigned in June, 1912, after Tang Shao-yi gave up the premiership. Mr. Hsiung, however, continued to be employed by the government in the capacity of Chief of a commission for the negotiation of foreign loans. It was Mr. Hsiung who was mainly responsible for negotiating the Crisp Loan.

Subsequently, Mr. Hsiung was appointed Lieutenant General of Jehol. The appointment was interesting in view of the fact that he had never held military position before. He was appointed prime Minister on July 31, 1913. On September 11 he was given the concurrenr post of Minister of Finance. A few months later, he resigned both the premiership and the office of the Minister of Finance. From 1914 to 1916 Mr. Hsiung was Director General of the National Oil Administration, which was formed to undertake the development of petroleum resources in China together with the Standard Oil Company of New York. As the expedition to Shensi and Shansi failed to discover oil of a commercial quantity the Administration was dissolved in December of 1916.

In the winter of 1917 Mr. Hsiung was appointed Director General of Flood Relief and Conservancy when a big flood inundated part of Tientsin. He was mainly responsible for the formation of the Commission for the improvement of the River System of Chihli, of which he was made president. Mr. Hsiung signed the agreement with the American International Corporation for a $6,000,000 loan for the improvement of the Grand Canal. He is also Director general of the Grand Canal Improvement Board.

Hsu Un-yuen, one of the leading financial authorities in China and a native of the province of Che-kiang, is 33 years of age. He was first educated in the old school and won his first degree in Chinese Classics when he was quite a youth. He joined the Nanyang College, Shanghai, in 1897 where he was graduated with high honors. He went to England in 1905 and in the following year entered the University of London. After completing the course of study on political economy at the school of Economics and Political Science of that University, he took up research work on currency and banking. While in England, he made contributions to papers like the "Economic Jounal," etc. which is a rare distinction. He was elected a Member of the Royal Geography Society, the Royal Society of Acts, and also of other Royal Societies in England. After leaving the University, he worked in the Union of London and Smith's Bank for nearly two years, from the head office down to the country branches. For some time ~~in~~ while in England he was attached to Wang Ta-hsieh, Chinese Constitutional Commissioner to London, and studies the methods of English local government in matter of finance, education, police, sanitation, prisons poor laws, etc. He was one of the government delegates to the Currency Conference that met in London in 1911.

Mr. Hsu Un-yuen held many responsible positions, principal of which may be mentioned the chief of the Department of Public Loans of the Board of Finance; Director of the Bureau of Audit, special Commissioner of Currency Reform; Director of the Bureau of Public Credit, comprising the departments of Currency and Banking, Public Loansan and the Treasury of the Board of Finance; Member of the Financial Commission appointed by the President; Deputy Director - General of the Bureau of Currency of which Liang Ch'i-chao was Director General. He was appointed Auditor-General of the Board of Audit in May 1914 which post he held until July 1917. During that time, he was on several occasions appointed as Acting Director-Genrral of Audit.

In June, 1916, Mr. Hsu was appointed concurrently as governor of the Bank of China, which was then under a moratorium. While in the bank he tried his best to resume specie payment and succeeded in doing so for its branches in Shantung, Shensi, Kwangtung, Tientsin and Kalgan. As to the Pekiing branch, on account of an exceptionally heavy and continuous run, he was obliged to put a limit on the redemption of its notes, but was able to maintain their price at about 98 per cent of the face value of the notes. until he left the institution in May 1917. He was now Councillor of the State Department of the Cabinet. Mr. Hsu has travelled a good deal both in Europe and America as well as in the interior of China. He has also been to Japan. Among the many decorations which have been conferred on him are the Second Class Ta Shou Pao Kwang-Chia-Ho, the Second Class Wen-hu, the Second Class Ta Shou Chia-Ho, and the French Legion d'Honneur. He was a Shao-Ching during president Yuan's regime. Mr. Hsu is fond of nature and his special recreation consists principally of reading, walking, hill-climbing and social work. With his excellent record of the past and his noted strong character, Mr. Hsu may may day be found to be performing some great task for his country.

Mr. J. K. C. Jun Ke-Choy.

Mr. Choy is now in Hankow raising money for the establishemnt of a branck office of the Industrial & Commercial Bank of Hongkong in that port. He has secured over fifty thousand dollars' worth of subscriptions to the total capitalization of the branck bank. Influential Chinese officials and returned students in Hankow are backing him. Mr Choy will later establish another branck in Tientsin, and then another one in Shanghai, but he says he will have no branch office in Peking, where politics are predominant.

Born in Honolulu in 1898, Mr. Choy studied at McKinley High School from 1908 to 1911 after having graduated from primary schools in the Haiwaii Islands. In 1911 he returned to Kwangtung, his native province, and was soon afterwards elected a member of the Kwangtung Provincial Assembly. Finding politics uninteresting, Mr. Choy returned to America in August of 1912 to pursue higher education. He studied political science an international law at Columbia University New York, as a Chinese Government Student. He received his degree of B.S. from the University in 1915 after a study of three years. During his residence in New York, Mr. Choy wa s elected president of the Columbia Chinese Students' Club in 1913. His interests were not only confined to student activities, as he was also a member of the New York Artillery.

In June of 1915 Mr. Choy again returned to China. He was made a member of the Liangkwang Military Headquarters. The following year, he was given the appointment of Director of Foreign Affairs of the Military government of Kwangtung, Shortly afterwards he resigned to take up business, having no interest in politics.

Mr. Choy has been a newspaper man for some time. During his visit to Peking in 1915 he was appointed Assistant Editor of the "Peking Post" It was at the time when Yuan Shih-kai was trying to make himself emperor of China. Mr Choy resigned from the "Post" and left Peking for the South, as he was against the monarchical movement.

In a dition to the position he is now holding of Vice-President of the Industrial and Commercial Bank of Hongkong, Mr. Choy is also adviser to the Department of Finance of the Southern Provisional Government.

KANG YU WEI.

Kang Yu Wei is a native of Kwangtung, which had been called the "Womb of Revolution". He is a well-known reformer who started his campaign in favor of reform in the South be menas of leaflets and lectures.

He was received in audience by the late Emperor Kwang Hsu on the 14th, June 1898, on the recommendation of Wend Tung Ho, the Imperial Tutor, He at once obtained a strong influence over the Empress, whose famous reform decrees of 1898 were inspired by Kang. He was proscribed and ordered to be decapitated when the Empress Dowager effected her coup d'etat, but escaped, and since then resided abroad, principally in America. He is ardent advocate of the adoption of Confucianism as the State Religion. Next to General Chang Hsun, he has taken the lead ofrestoration of the Manchu Dynasty, After the restoration he was appointed the Vice President of the Piteh Yuan (Council of Genro, or Elder Statesmen). Fled after Chang Hsun was defeated. Took refuge in American Legation. Left and went to Tientsin in early December.

GENERAL LI SHUN.

One of the military governors of the provinces who has been in the limelight during the last twelve months is General Li Shun. Today General Li is considered a most promising leader of the country, and has made his name known to all foreigners in China through his efforts to secure peace for the country and the consequent incurring of displeasure of the Northern militarists. General Li is over fifty years old, and has had much military experience. His native place is Tientsin, Chihli. He attended the Pei Yang Military Academy and was a pupil of the present President, Hsu Shih-chang. After his graduation, General Li received his first military appointment as a captain in the "Huai Chun" troops, which were being trained by Yuan Shih-kai, the later President, at Shiao Chan.

On account of his efficiency and ability, General Li secured rapid promotions. After a short time he became a brigade commander in the Sixth Division of the New Army. In 1900 he was further promoted to be chief commander of the Division. When the revolution in 1911 broke out, he rendered no small service to the republican army. In July of 1913, General Li Shun was appointed Acting Defence Commissioner of Kiukiang, Kiangsi. In August he was concurrently appointed to take temporary charge of the office of Chief Civil Commissioner of the same province. In September General Li was appointed Acting Tutuh of Kiangsi.

In July of 1914 General Li was appointed Chang Wu Chiang Chun to supervise the military affairs of Kiangsi province. In 1915 the rank of Lieutenant General and the brevet rank of General were conferred upon him for his merits.

In June of 1916 General Li was appointed tuchun or military governor of Kiangsi. During his stay in that province he was popular with the people. In August, 1917, he was transferred to Nanking as tuchun of Kiangsu to succeed General Feng Kuo-chang, Vice-President of the Republic, who went to Peking to become President. General Li is also Director-General of the bureau for the promotion of commerce at Nanking.

In 1918 General Li made several attempts to settle political difference between the North and South with the support of the military governors of Kiangsi and Hupeh, but all these attempts failed on account of the opposition of the other military governors. General Li has been partly responsible for the calling of this peace conference, which is to assemble soon. He is no serving as a medium for official communications between the Southern and Northern governments. At first it was decided to hold the conference at Nanking. Shanghai, however, will likely be the place of the holding of the conference at the request of the South. General Li is progressive, democratic and learned. He will, in the opinion ofthose who know him, become some day one of China's prominent leaders.

(MILLARDS REVIEW FEBRUARY 1, 1919.)

LI YUAN HUNG.

Li Yuan Hung, Ex-President of the Republic of China, is a native of the province of Hupeh, born 1864. Graduated from the Peitang Naval College and took part in the Chino-Japanese War. After the War he was engaged by the late Viceroy of Kiangsu, Chang Chih-tung. On latter s transfer to Wuchang he accompanied him to assist in the organization of the modern troops there. Thence he went to Japan and studied fortifications for two years. On his return he became a major in the cavalry, and subsequently held several commands, including that of Colonel in the 21st Brigade. He was in charge of the organization of the Changteh Manoeuvres in 1905, and for the following five years served on the Staff at Wuch'ang, Hupeh.

On the outbreak of the Revolution at Wuch'ang in 1911 he was coerced into accepting the command of the revolutionary forces, whose operations he directed thenceforward. He was mainly instrumental in arranging for the Shanghai Peace Conference, and after the abdication of the Manchu Emperor, he was elected Vice President of the Republic of China, and appointed Chief of General Staff and Tutuh of Hupeh. Given rank of General on September 7, 1912. Acintg Tutuh of Kiangsi, June 8, 1913. Re-elected Vice President, October 7, 1913 Created Prince of Wu Yi when Yuan Shih-k'ai was made Emperor in 1915, but steadfastly refused to accept. He succeeded the Presidentcy in June 1916, after the death of Yuan Shih-kai.

When Manarchy was restored on July 1st, 1917 he was strictly watched and became entirely powerless, and ran to Japanese Legation/, on July 4, 1917. He secretly issued mandates on the 2nd of July, appointing General Tuan Chi-jui to be Premier and Vice President Feng Kuo-chang President, discharging his duties at Nanking.

When the trouble was over he declared that he was incapable to be the President and resigned. When Acting President Feng came up to Peking on August 1, 1917, he at once drove to President Li' residence and urged him assume the Office of President, but he earnestly refused.

He has been staying in the French Hospital owing the to his ill-health.

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LIANG CHI CHAO.

Liang Ch'i Ch'ao, another name Cho Lee, or more popularly known as Lun Kung, is a native of Hsin Whei Hsien, Kwangtung Proinvce. He has an excellent reputation as a brilliant scholar, and started the first Chinese daily paper in Peking. A small leaflet, containg an editorial only, which was given away gratuitously. Was prescribed, and had to fly for his life, after the coup d'etat of 1988, and thereafter resided in Japan, where he conducted many papers in Chinese, devoted to the cause of reform.

Like his teacher, Kang Yu-wei, advocated a limited monarchy in preference to a Republic.

Returned to China after the revolution and conducted the Yung Yen Pao, a bimonthly periodical.

Appointed Vice Minister of Justice in Yuan Shih-kai's Cabinet but refused to accept.

He is one of the chief promoters of the Chinm Pu Tang (progressives) - the most powerful political party at present.

Minister of Justice in Hsiung Hsi-ling's cabinet, September 11, 1913; given the 1st calss Chia Ho Decoration on October 8; resigned February 2, 1914, and was appointed Head of the Currency Bureau on February 19, 1914, which was after-wards incorporated in the Ministry of Finance on December 27, 1914.

Given the Title of Honor of Chang Ching on January 27, 1915, and Shun Yi Wei, and on 1st January, 1917, 1st Class Wen Hu Decoration.

Appointed Minister of Finance, concurrently take charge of Salt Gebelle on 15, July 1917.

Resigned following the resignations of General Tuan, but refused - only granted him leave of absence November 22, 1917.

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LIANG SHIH YI.

Liang Shih-yi, Speaker of the Senate, comes from the province of Kwangtung. He is fifty years of age. He passed the metropolitan literary examinations and received his Chinese Ph.D. with honor. In 1906 Mr. Liang was appointed Secretary to Tang Shao-yi on the occasion of his mission to India. One year later, upon his return from India, he was appointed chief of a department in the Board of Communications. At the same time he was acting as assistant Director of the Bank of Communications. In July of 1909 Mr. Liang was promoted to be Senior Secretary of the Board of Communications.

In February 1911 Mr. Liang resigned as Director of Railways and assistant director of the Bank of Communications, but ten months later he was appointed Acting Vice Minister of Communications. In December of the same year Mr. Liang was made acting director of the Imperial Chinese posts.

From January to March in 1912, Liang Shih-yi held the office of Acting Minister of Communications. He was appointed Chief Secretary of the President's office after the abdication of the Manchus in April of 1911, when Yuan Shih-kai was elected President of the Republic of China, whose protege he was. From May to September in 1915, whilst still retaining his position of Chief Secretary to the President, Mr. Liang was Acting Minister of Finance. After the dissolution of the first parliament by a mandate issued by Yuan Shih-kai, the Council of State as legislature was established, of which Mr. Liang was a member. Later, he was appointed Director General of the Customs Administration, which post he held until after the overthrow of Yuan Shih-kai's monarchical movement in 1916. During the time, he concurrently held the office of Director General of the Bureau of Taxes.

Liang Shih-yi played an important part in the movement of Yuan Shih-kai in 1915 to make himself Emperor of China. When the movement collapsed in the summer of 1916, Mr. Liang wetn to Hongkong and retired from public life. In the spring of 1918 he visited Japan where he stayed for some time and made connections with influential financiers and statesmen in that country for the industrial development of China. Soon after his return to Hongkong Mr. Liang was invited to visit Peking. As he was one the participants of the monarchical movement whose arrests were ordered by Mandates, prior to his arrival to Peking he was pardoned by a Mandate.

When he first came to Peking he was full of views of the South, As General Hsu Shu-chen, regithand man of Prime Minister Tuan, was then strongly against the negotiations with the Southern opposition for peace, Mr. Liang was obliged to remain silent. He was one ofthe promoters of the An Fu Club, whose platform is to elect Hsu Shih-chang the next President of China. The Club was active during the recent election of memebers for parliment. Upon the organization of the Club, Mr. Liang want to Hongkong to attend his daughter's wedding, and returned to Peking on the 21st of August. Barely had he time to rest at his residence in the Capital, when he was rushed to the meeting hall of the Senate, where he was elected Speaker.

Mr. Liang is considered the most influential leader of the Chao-tung clique or party and is an able financier.

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LIU CHING JEN

Liu Ching-jen, Minister to Petrograd, who returned to China towards the end of last month in company with the Japanese Minister, Viscount Ashida, is recognized as one of the ablest and most shrewd diplomats of China. Born in 1868 at Paoshanhsien, Kiangsu, Mr. Liu first joined the School of Language at the Arsenal in Shanghai, and was afterwards transferred to the College of Tung Wen Kuan in Peking, where he graduated on 1893. After his graduation he was sent to London as a sutdent interpreter to the Chinese Legation there. From London he was transferred to the Chinese Legation in Paris.

In 1896, Liu left Paris and was employed in the Three Eastern Province, where he was entrusted with the task of surveying the railway lines. Upon the completion of the mission, he remained attached to the office of the said railway for conducting dispomatic affairs. In 1916 Minister Liu was transferred to the Legation at Petrograd as Councillor, where several times he was charge d'affaires in the absence of the Minister. In 1908 he was recalled and sent to Harbin to be President of the Bureau of Diplomatic Affairs for the province of Heilungkiang. Soon afterwards he was appointed Taotai of Harbin. The following year he was made Assistant Director of Peking Hankow Railway. In 1910 Mr. Liu was appointed Expectant Councillor of the Ministry of Foreign Affairs. In 1911 he was again appointed Taotai of Harbin.

Before taking up his office, Mr. Liu was sent to Petrograd to negotiate for the modification of the Chinese Russian Commercial Treaty. Whilst on the mission he was appointed Chinese Minister to Holland. He assumed the office on the 22nd of February, but in September of the same year he was transferred to be Chinese Minister to Russia, which post he is still holding although he is now staying in Peking on account of the critical political situation in that country.

Liu KUAN HSIUNG.

Admiral Liu Kuan-hsiung, Minister of Navy, will likely be offered the same portforlio in the new cabinet to be organised after the resignation of Prime Minister Tuan.

Admiral Liu is a provincial of Fukien, which province has produced many well-known naval men on account of its early contact with foreigners and its nearness to the sea. After receiving his Chinese education in his own province, he was sent to England for higher education. He attended the Royal Naval College at Greenwich, where he graduated. Upon his return, he was given a commission in the Chinese navy. At that time, men with modern education and especially with naval training were particualrly needed by the government.

Shortly after his joining the navy, the China-Japan War broke out, and Admiral Liu participated therein. At the battle of Yalu he distinguished himself and was rewarded for his bravery by the Manchu Emperor. Since that time up to the breaking out of the first revolution in 1911, Admiral Liu held various naval offices, from a non-commissioned officer to the commander of a squadron.

When the first republican government was formed following the successful issue of the revolution in 1912, Admiral Liu was appointed Minister of the Navy as a reward for his services to the republicans during the critical moment of the epochmaking event. He was amember of the National Council in Nanking. Upon Yuan Shih-kai's election to the Presidency, he was elected a member of the Southern delegation sent to Peking to convey congratulations.

In 1913 Admiral Liu was appointed Acting Minister of Education. Eight months later in August of the same year, he was appointed Inspector General of Southern Seas. Three months later he was given the concurrent post of Military Governor of Fukien.

In 1914 Admiral Liu was recalled to Peking to accept the position of Minister of Navy again. This office he consinually held until after the overthrow of the monarchical movement to make Yuan Shih-kai Emperor of China. In that movement he played a part. For that reason he was obliged to leave the cabinet upon the collapse of the movement and the subsequent death of Yuan Shih-kai.

For one year Admiral Liu lived a private life in Tientsin. Then came the monarchical movement of General Chang Hsun, the object of which was to restore the Manchu Emperor to the Throne. This movement was also failed. Admiral Liu was given the portforlio fo navy when Tuan Chi-jui neaded the republican cabinet in the summer of 1917. Ever since that time he has been Minister of Navy. His cabinet career is considered the longest of all his associates. It is believed that he will again he invited to join the new cabinet to be formed sooner or later in the next fortnight.

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LU TSEN CHIANG.

Lu Tsen-chiang, a native of Kiangsu Province, was interpreter to the Chinese Legation at St. Petersburg, 1890. Attache, 1892. Secretary, 1895. Deputed to accompany the Chinese Envoy Extraordinary to the Coronation of the Tsar. Chinese Delegate at the Hague Conference in 1899. Minister to Netherlands, 1905. Minister to Holland (Renewed) in 1908. Negotiated the Consular Convention with Holland. Sent to the Hague to exchange ratifications of this Convention in 1911, and thence proceed to St. Petresburg to undertake negotiations with the Russian Government for the revision of the Treaty of 1881; appointed Minister to Russia.

After the revolution he was elected Minister of Foreign Affairs in the 1st Republican Cabinet, and arriveed at Peking on May 24, to take up the post.

When Tang Shao-yi, then Premier, was granted sick leave in June, he was appointed Acting Premier, and on the acceptance of Tang's resignation he was elected Premier on June 29, and retained the portforlio of foreign affairs.

He belongs no party .

He was on sick leave during August and September, and resigned the Premiership on September 22, 1912.

On November 15, 1912, he was again appointed Minister of Foreign Affairs, resigned on September 4, 1913; on 26, May, 1914, appointed member to Tsan Tsen Yuan; giving the Title of Honor of Chung Ching and appointed Minister of Foreign Affairs on January 27, 1915; given the Title of Hsun San Wei; appointed Acting Secretary of State, October 27, and given the Title of Shang Ching.

Formerly appointed Secretary of State, on 21st December, 1915, and concurrently take charge of Ministry of Foreign Affairs; relieved from Office of Secretary of State, but appointed Minister of Foreign Affairs, 21st, March 1916,; resigned May 17, 1916, on account of sickness.

At the declaration of war against Germany he was appointed Chief of War Commission.

Re-appointed Minister of Foreign Affairs, 1917, Sent to France as Chinese Chief Delegate to European Conference, December, 1918; which post he is still holding concurrently besides the Minister of Foreign Affairs.

LU TSUNG YU.

Lu Tsung-yu, Director of the Chinese-Japanese Exchange Bank and a prospective candidate for the protfolio of Finance, is native of Hainingshien, Chekiang. He is partly responsible for the Japanese loans which China has recently concluded.

During the Tsing Dynasty, Mr. Lu received the second literary degree through public examinations. Upon receipt of the degree, he went to Japan to pursue a short course in political science. When he had finished the course, he returned to China and bought an official rank in Peking. Later he received an appointment as secretary of a board.

Through his ability of entertaining officials of the hour, Mr. Lu received quick promotions. Before long he became Assistant Proctor in the Government Council. Hsu Shih-chang, the present President, who was then the Grand Chancellor, was so well impressed with the remarkable ability of Mr. Lu that he recommended him for the rank of the fifth official grade.

In 1907 Mr. Hsu was appointed Viceroy of Manchuria. Shortly afterwards he appointed Lu Tsung-yu Director General of Salt Affairs for the Eastern Provinces. At the same time Mr. Lu was holding an important post in the Monarchical Constitution Drafting Bureau in Peking. Mr. Lu is credited with having introduced some reforms regarding the management of salt wells and the prohibition of slat smuggling, and it was he who was responsible for the increase of the salt tax, which act greatly pleased Hsu Shih-chang.

During the regime of Presidenti Yuan Shih-kai, Mr. Lu also held important positions in the government service. He was appointed Minister Plenipotentiary to Japan. The significance of this appointment was generally believed to be that President Yuan sent him to Japan to work for the recognition of the monarchical government of China. He was considered one of the important officials of the monarchical movement of Yuan Shih-kai.

Upon the overthrow of the monarchical movement, Lu Tsung-yu remained in Japan for a time, and then returned to China to retire. Shortly afterwards he became interested in Chinese-Japanese cooperation in the industrial development of China. He was accountable for the formation of the Chinese-Japanese Exchange Bank, of which he was appointed a Chinese Director, It is believed that the bank does not have any Chinese capital. As the Director of the Bank, Lu Tsung-yu has contracted many loans from Japan for the Chinese militarists in the North. Through his Japanese influence, he was appointed ten months ago director of several Chihli mines.

HANG HAN.

Ngan Han, Senior Secretary of the Ministry of Agriculture and Commerce, has been recently transferred to the Peking-Hankow Railway for planting trees along the line and in some special districts for timber supply and for prevention of flood. He has left Peking for the purchase of needed lands for the purpose. In forty years, he believes that all timber needed by the Peking-Hankow Railway can be supplied by the forest reserves to be soon created under his direction. W. Purdom, an English forest expert, is assisting him in this task. An article about the plantation of trees by these two experts was published in Millard's Review of August 10.

Born in Chachsien, Anhwei, Mr. Han studied at the University of Nanking from 1896 to 1905. He graduated with a degree of A.B. On account of his high scholarship, he was engaged as a teacher of the same University upon his graduation. He taught here for two years. In August of 1907, Mr. Han arrived in America to pursue his higher education, supported by the government. From 1909 to 1907 he studied liberal arts at Cornell University. With this preparation Mr. Han attended the University of Michigan and studied forestry in 1909, where he studied for three years. From 1911 to 1912 he studied agriculture at the University of Wisconsin. From these institution of higher learning, Mr. Han received the degree A.B. in 1909 and M.Sc.F. in 1911.

In August of 1912, Ngan Han returned to China. He was soon afterwards invited to join the Ministry of Agriculture and Forestry, and later promoted to be Senior Clerk. Now and then he was sent out for investigation. Once he was Director of the Bureau of Forestry in Kirin. From 1915 to the time when he was transferred to the Peking Hankow Railway, he was Assistant Director of the Bureau of Forestry in the Ministry of Agriculture and Commerce. He is also Editor-in-Chief of the "Agriculture and Forestry Review."

Mr. Han is popular among returned students from America. He is considered a hard-working man, and is farsighted. He is always ready to give assistance where such assistance is welcomed.

DR. SUN YAT SEN.

Dr. Sun Yat-sen, the father of the Chinese Republic and the life and soul of the democractic Revolution of 1911, has rightly been called the Massini of China. Gifted with extraordinary intelligence and a wonderful power of organisation this one man is more responsible for the overthrow of the authocratic Manchu Dynasty than all other forces put together.

Sun Yat-sen was born in 1866 in the province of Kwangtung. He received his early education in the Anglican Mission school and subsequently joined the Hawaii College in Honolulu. On his return to China he entered Queen's College, Hongkong. Now he took up the study of medicine at Canton, which he continued in Hongkong. While at Hongkong he entered his political career and organized a secret society on a democratic basis to overthrow the Manchu Dynasty through those agency China had been reduced to such a rotten conditions. But the path of patriotism seldom runs smooth. Many of this comrades were arrested and beheaded and he escaped to the United States, passing some time at Honolulu. It was in 1896 that he was kindnapped in London by the Chinese Legation at the instance of the Chinese Government. While in confinement he succeeded in sending word to his friends and his liberation was soon secured by the British Government. In the years that followed Dr. Sun continually travelled all over the world, carrying on a democratic propaganda among his countrymen and organizing societies for the liberation of China. In 1907 while in Tokio he successfully welded together all the different elements of the enti-dynastic movement. He planned the revolution of 1911 to the minutest details and left it to General Huang Hsung to carry out the scheme. General Huang Hsung wired to Dr. Sun, who was carrying on his propaganda work on the Pacific Coast of the U. S. A., telling him that the the troops in Wuchang were ready to strike and asking for instructions and help. When this telegram reached him Dr. Sun could not decipher it as his code and luggage had been booked ahead to Denver, Colorado. When next morning he saw the papers he found that Wuchang had already been captured by the Revolutionary troops.

In Wuchang the Revolution broke out earlier in consequence of the arrest and execution of several Revolutionary leaders and there being no responsible leader to guide the movement on the spot the troops gvae out that they were rising in accordance with Dr. Sun's orders. At that time a warship of some European nation was in the Hankow harbor. The Manchu Viceroy fled to Hankow and convening a meeting of the Consuls of the foreign Powers requested them to intervene because of the anti-foreign character of the Revolution. But the French Consul, Mr. Reau, who had been a friend and admirer of Dr. Sun, opposed the proposal of intervention and assured the meeting that the Revolution was not an anti-foreign movement and that it was a patriotic movement led by Dr. Sun, the Russian Consul also agreed with Mr. Reau. Mr. Reau's opinion prevailed and the Viceroy being disappointed fled to Shanghai. In the meantime the Revolutionaries discovered Brigadier-General Li Yuan-hung, who had been hiding, and winning him over to the revolutionary camp, appointed him their leader.

DR SUN YAT SEN (CONTINUED)

Dr. Sun hurried to London and exerting himself with the British statesmen obtained the following promises:

1. That no loans will be granted to the Manchus.
2. That the orders of Dr. Sun's deportation from the British colonies of Hongkong, Singapore, Penang, etc., will be cancelled.
3. That they will stop Japan from interfering in favor of the Manchus.

Soon after Dr. Sun came to Nanking and brought with him the uncompromising and indefatigable spirit of patriotism. The statemen found in so many books that Dr. Sun brought to Nanking funds for the Revolution in entirely without foundation. The Republican Government established at Nanking elected Dr. Sun President of the Chinese Republic, which honor he accepted when offered to him but soon after the abdication of the Manchus Dr. Sun resigned in favor of Yuan Shih-kai, his aim, that is, the overthrow of the Manchu Dynasty, having been accomplished. When Yuan Shih-kai, turning traitor to the Republic, wished to establish himself Emperor of China Dr. Sun vigorously opposed him.

Last year when Tuan Chi-jui, the Premier, unconstitutionally dissolved the Parliament Dr. Sun stood against him and finding him firm in his unconstitutional determinations he moved to Canton, taking with him the Chinese Navy, and established the constitutional government at Canton of which he was elected Generalissimo. He remained in office till Parliament was convened and this having been successfully done he resigned to carry on the work of preparing the people for the construction of democracy.

Name, fame, honor and wealth have never had any attraction for his great Chinese and even his enemies admit that he is one of the most selfless and reasonable man in China.

He is not merely an idealist as some people think, He is most practical in removing the obstacles in the way of democracy, as he has so often proved in his career as a leader.

He is a patriot in the truest sense of the term and like Tazzini is ever ready to help the fallen ones and to sympathise with the oppressed. Dr. Sun hates secret diplomacy and is always frank in expressing his opinions freely and fearlessly. His charming manners, childlike simplicity and profound scholarship make him an unique figue in China. Dr. Sun prefers to work among the people as one of them. He therefore accepts an office only when duty distates him to do so, giving it up to continue his democratic work among the people as soon as he can be spared.

H. P Shastri.

(MILLARDS'S REVIEW AUGUST 17, 1918.)

TANG SHAO YI.

Tng Shao-yi, former Prime Minister, has been chosen to head the Southern Peace Delegation to the conference for the settlement of China's internal trouble which has lasted for more than one year. Mr. Tang was born in Kwangtung in 1860. He was one of the first group of Chinese students sent to the United States by the Chinese Government to be educated. He studied at Columbia University, but returned to China before his graduation upon the order of the government, which was skeptical about the real usefulness of Western education.

Mr. Tang was appointed Assistant in Chanrge of the Korean Maritime Customs in 1882, one year after his return from America. Later he attracted the attention of Yuan Shih-kai, and was appointed Secretary to the Emperial Resident in Korea. After the China-Japanese War, Mr. Tang was Consul-General in Korea. At the same time he was employed on the staff of the Northern Railway Administration. In the winter of 1900 Mr. Tang was with Yuan Shih-kai in Shantung. It was the year of the suppression fo the disturbances. In February of 1902 he was appointed Customs Taotai of Tientsin. In September of 1904 Mr. Tang was appointed special commissioner to Thibet. He visited India as China's envoy to negotiate the Thibet convention, which was subsequently completed at Peking in November of 1905.

In February of 1906 Mr. Tang was appointed junior vice-president of the Board of Foreign Affairs. Shortly afterwards, he was made Director-General of the Shanghai-Hanking Railway and the Lu-Han Railway. In May of the same year, he was made controller-genreal of the Revenue Council in Peking. In November he was promoted to be senior vice-president of the Board of Communications. At the same time he continued to act as the vice-president of the Board of Foreign Affairs.

In April of 1907 Tang Shao-yi was appointed first Governor of Fengtien upon the reorganization of the government of Manchuria, when Hsu Shih-chang, the present President, was Viceroy of Manchuria. In In July of 1908 he was sent as a special envoy to America to thank the United States Government for waiving part of the Boxer indemnity. In July of 1909 he resigned the governorship of Fengtien.

In August of 1910 Mr. Tang was expectant vice-president of the Board of Communications, and soon afterwards was asked to act for the president, but he resigned his office in the following spring. On the dismissal of Sheng Hsuan-huai on October 27, 1911, Tang Shao-yi was appointed Minister of Communications. In December of the same year he proceeded to Shanghai as Yuan Shih-kai's delegate to negotiate with revolutionary leaders for peace. He resigned his position as a delegate on December 27.

Tang Shao-yi was appointed Prime Minister on Febnary 13, 1912, aft after the abdication of the Manchu Dynasty. On June 27 he resigned the premiership, and was appointed superior advisor to the President on State Affairs. He denounced Yuan Shih-kai against his imperial in 1915 when the latter espired to be Emperor, and worked against his imperial plan.

After the death of Yuan Shih-kai in 1916, Tang Shao-yi was appointed Minister for Foreign Affairs, but he proceeded as far as Tientsin and then returned to Shanghai before the assumption of office on account of opposition in Peking. He has been supporting the opposition of the South-West provinces to the Peking Government, nominally, and to General Tuan Chi-jui in reality for the dissolution of parliament in 1917 on the ground that it refused to pass the bill urging was with the Central Powers.

(MILLARD'S REVIEW - JANUARY 18, 1919.)

Tien Wen Lien.

Mr. Tien was born in the province of Hupeh over fifity five years ago, and has had a successful official career. He is now Minister of Agriculture and Commerce, and has been offered the post of Prime Minister, but he has declined his offer.

The Minister of Commerce belongs to the old Confucian school, and after having acquired a classical education, joined the military service when he was still a young man, having found the profession of teaching as lacking in interest. He was at once attached to the headquarters of General Chiang Kuei-ti, who is noe Lieutenant General of Sehol. Later Mr. Tien was promoted to be Chief Secretary to General Chiang.

On account of his capacity and classical education, Mr. Tien was transferred to the staff of the late President Yuan Shih-kai, who was at the time Viceroy of Chihli, and became the Councillor of the Peiyang Army. Shortly afterwards he was given the appointment as Police Taotai for Chihli. He served in the latter capacity so well that he was promoted to be a division commander with his headquarters at Yung Tung Chen. Later he was called to Peking to be Vice Minister of War.

In the first year of the Republic in 1912, Mr. Tien was appointed the highest military adviser to the President. Not long after he was given the position of Associate Lieutenant General of the Mixed White Banners in Mongolia. In 1913 the rank of Major General with the brevet rank of General was conferred upon him in recognition of his services. In the winter of the same year, Tien Wen-lien wwas appointed civil governor of Shantung. Whilst he was holding this position he did much in encouraging education and the development of industries and commerce.

In the three years following, General Tien functioned as civil governor of Honan. For a time he concurrently acted as military governor. In the autumn of 1917 he was however transferred to Peking to head the Ministry of Agriculture and Commerce when General Tuan Ch'i-jui, his old associate, became the Prime Minister after the overthrow of Chang Hsun's monarchical movement. This position he is still holding to-day.

Mr. or General Tien - which ever ay one prefers to call him - is considered one of the old memebers of that military party, which is practically ruling China, he is regarded as the best educated.

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TSAI TING KAN.

Admiral Tsia Ting-kan, Assistant Director of the Customs Administration and Secretary of the President's Office, was appointed Charimsn of the Tariff Revision Commission on the evening of May 20 in place of Chang Su-chi, who resigned from that office on account of sickness. His appointment is welcomed by the different legations, who have great confidence in him. It is believed that Admiral Tsai will be able to push the matter of tariff revision to a speedy conclusion.

Born in Hsiangshan, Kwangtung, in 1861, Admiral Tsai received his early education at a country school, and afterwards studied at the Chinese Educational Mission School in Shanghai from 1872-73, which was organized by Mr. Yung Wing, pioneer of China's modern education. He was one of the students of the first batch sent to America in 1873, as arranged by Mr. Yung Wing, whose acquaintance with the social life and educational methods in New England was so complete as to enable him readily to place these students - usually in pairs - in comfortable households where they might learn English and become initiated into the manner of life among Western peoples as agreeably as possible. Admiral Tsia to Hartford Grammar School upon his first arrival. Later he was transferred to the New British High School. He returned to China in 1881, together with the other students, in consequence of a memorial, endorsed by Chin Lan-pin, the Chinese Minister at Washington, complaining of the course of study pursued by these youths "as including Latin and Greek and other unnecessary subjects; of the disrespectful behavier of the boys when brough before thier chiefs; of their deplorable lack of patriotism; of their forgetting their mother tongue, and other sins of omission and commission."

Soon after his return to China, Admiral Tsia Ting-kan joined the torpedo school at Taku, where he stayed for three years. Upon his graduation he was made captain of a torpedo boat. In 1892 he was promoted to be commodore of the Torpedo Fleet. In 1912 be became Vice Admiral. The following year was appointed Chief Inspector of the Salt Administration, and resigned this post to join the Customs Administration as AAssociate Director, which position he still holds today. When Yuan Shih-kai was President, Admiral Tsia was his Chief English Secretary, and handed all foreign matters for his Chief.

Admiral Tsai devotes his leisure time to the translation of Chinese poems into English, and made his name well known through these translated poems at the St. Louis Exhibition in America. He is considered as eloquent speaker, and whenever there is any public occasion he is invariably called upon to speak. He has been Chairman of the American College Club, and for a time was actively identified with a number of social activities in the Capital.

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TSAO JU LING.

Tsao Ju-ling, Minister of Communications, and concurrent Minister of Finance, who has recently concluded a number of important loans with Japanese financiers through Nishihara, the unofficial representative of Japan, who returned to Japan on the 8th instant, presumably to work against the new American finanacial policy for China.

Born at Shanghai, Minister Tsao is only 43 years of age, and is thus in the prime of manhood. Since his return from Japan, where he received his education, thirteen years ago, he has advanced from one success to another. He is considered a persona grata with the Japanese Government.

Before the Boxer rising, Mr. Tsao passed a competective examination and was sent by the Government to Japan to pursue a higher education. Upon his arrival at the Island Empire, he learned the rudiments of the Japanese Language, after which he entered the Imperial University in Tokio. For several years he studied law in that well-known institution of learinng , and upon his graduation he returned to China, in 1905. Then the Government was holding an examination of all the returned students from Europe, American and Japan. This examination was taken by Mr. Tsao, and successfully passed. He was awarded the degree of Doctor of Law.

After the Boxer rising, the Government was compelled to see the necessity of reforming its civil system and introducing modern methods, and consequently created the Ministry of Commerce for the development of Commerce and Industry. Mr. Tsao joined that Ministry as a sectional chief. At the same time, the Peking Government University was founded, of which Mr. Tsao was appointed a lecturer on law.

In 1907 Mr. Tsao was transferred from the Ministry of Commerce to the Ministry of Foreign Affairs. He was concurrently appointed by the Imperial Court a member of the Bureau for the drafting of a constitution for the country.

Since then, Mr. Tsao's official promotion has become more rapid. When he first joined the Ministry of Foreign Affairs he occupied a small position, and was later given the rank of a councillor. He participated in all Chinese-Japanese negotiations. Shortly afterwards he was made Vice-Minister of Foreign Affairs. During the first revolution of 1911, Mr. Tsao retained hos post under Yuan Shih-kai's Cabinet.

When the North and South composed their differences in the latter part of 1911, Tang Shao-yi went to Nanking to organize the first republican cabinet. As Mr. Tsao was not a member of the Komin Tang, or the Republican party, he was dismissed from his post. However, the latter President Yuan Shih-kai engaged him as his personal adviser.

While acting as personal adviser to the Chief Executive, Mr. Tsao practiced law in Peking, and occupied a prominent place in that profession. When the first republican parliament met, he was elected a member of the Senate, representing Mongolia. In Parliament he particiapted in discussions of almost every subject t that was brought up for the consideration of the M.P's, being an eloquent speaker. Then he was a leading member of the Chinputang or the Progressive Party.

In 1913, when the relations between China and Japan became critical, President Yuan Shih-kai made use of Mr. Tsao's assistance, and appointed him Vice Minister of Foreign Affairs. Mr. Tsao assisted President Yuan in the negotiations with Japan over the twenty-one demands. After the collapse of the Monarchical movement of Yuan Shih-kai, Mr. Tsao retired from public life for a while. After the collapse of Chang Hsun's movement to restore the baby Emperor to the Throne in July of 1917, Mr. Tsao was appointed Minister of Communications, and at the same time acted as Managing Director of the Bank of Communications. When Wang Ko-ming, Minister of Finance, resigned three months ago, Mr. Tsao was appointed his successor. During the last three months Mr. Tsao has had a share in all loan transactions. with Japanese bankers.

Mr. Tsao may be appointed Minister of Foreign Affairs upon the resignation of Lu Cheng-hsiang, who is now on sick leave at Peitaiho, and who has decided to leave China for Switzerland as Minister. If he accepts the portfolio of Foreign Affairs, he will likely give up the portfolio of Finance, although he will most probably retain the Ministership of Communications.

(MILLARD'S REVIEW, / August 24, 1918.)

GENERAL TSAO KUN.

General Tsao Kun, a member of the Peiyang Party, is considered the most hopeful candidate for the next Vice-Presidency of China. He is now fifty-seven years of age and a native of Chihli. He has six brothers, one of them is civil governor of the same province.

Thrity-five years ago, the present military governor of Chihli, was a common soldier. He was sent to the Military School by his immediate chief on account of his good conduct and commanding personality. In 1890 he graduated from the school, and as he proved himself to be a good scholar, was engaged to be teacher of the same institution. Five years later General Tsao Kun was appointed directof of the soldiers' training school at Shiao Chan, where the late President Yuan Shih-kai trained a modern army for the Manchu Court and where the present Prime Minister, Tuan Chi-jui, was one of the three chief lieutenants in supervising the training of the soldiers, the other two being President Feng and General Wang Shih-cheng, former Prime Minister. After the Boxer rising in 1900, when the Court realized the importance of maintaining a powerful army, Tieh Liang, a famour Manchu general, invited General Tsao Kun to assist him in the training of new troops at Paotingfu, the capital city of Chihli. One year later General Tsao Kun was promoted to be the commander of a regiment, and had 1,500 soldiers under his control.

In 1902 General Tsao Kun was promoted from the office of regimental Commander to that of Brigade Commander. Then he had over 3,000 under his command. Soon afterwards he was made a full general by Tieh Liang, who had great confidence in him.

In 1903 General Tsao Kun was sent to Mukden as a division commander controlling 10,000 soldiers, where he stayed for almost two years. In 1905 he was transferred to Kirin, and his troops accompanied him thither, where he was stationed until 1911, when the first revolution broke out and he was ordered to proceed to Lanchow, east of Tangshan in Chihli, to fight the revolutionists. Upon the complete suppression of the rebellion General Tsao was ordered to Shansi, where he defested the revolutionary troops and re-captured the provincial capital. In recognition of his services he was transferred to Yochow in Hunan and appointed commander-in -chief of all troops on the upper course of the Yangtzekiang (river), namely from Szechuan to Hupeh.

In 1915, when General Tsao Ao, the restorer of the Republic, raised a rebellion in Szechuan opposed the imperalistic movement of Yuan Shih-kai to make himself Emperor, General Tsao Kun was went to fight him. After the failure of the movement and the consequent death of the late President, he returned to Chihli and was made military governor of that province.

In 1917 General Tsao Kun was appointed commander-in-chief of the troops in Hunan and Hupeh to fight the South. Several months ago he was appointed commander-in-chief of all the troops in Szechuan, Kwangtung, Hunan and Hupeh. It was his troops who re-captured Chinchow and Hsiangyang in Hupeh, and Yochow and Chengsha in Hunan five months ago from southern hands, He has now under his command over three divisions of veteran troops, some of whom are stationed at the Hunan front.

General Tsao Kun according to those who know him, is straightforward.

(MILLIARD'S REVIEW - SEPTEMBER 21, 1918.)

GENERAL TUAN CHI JUI.

General Tuaj is heading the Cabinet for the third time, and is recognised as the leader of the Peiyang Party of the Military Party in China. He is honest and straight-forward, but is simple-minded.

Born in Anwei, which has produced a number of military leaders and supplies the country with many of its soldiers, General Tuan Chi-jui attended the Peiyang School in his youth. After his graduation, he served the Chinese Army in some subordinate positions. When the late President Yuan Shih-kai was appointed Viceroy of Chihli, General Tuan was promoted to be his chief military adviser. The number of his military followers had increased by that time. In 1906 he was sent to Fukien as Brigadier-General, and in October of the following year was recalled to the North to be Deputy Lieutenant General of the Chinese Bordered Yellow Banner.

In December of 1909 General Tuan was made a full-fledged General and appointed to command the Sixth Division of the Luchun. The next year saw him Commander-in-chief of the troops of Kiangpeh. He was a large measure responsible for the reorganization upon modern lines of the Northern Army, having helped Yuan Shih-kai much when the later was training at Shiao Chan.

Upon the acceptance of the Premiership by Yuan Shih Kai, General Tuan succeeded him as Viceroy of the Hukwang Provinces. On the recall of General Feng Kuo-chang, the present President, to be Commandant of the Imperial Guard in place of Prince Tsai Tao, General Tuan took command of the first Army fighting against the revolutionists at Wuch'ang.

Prime Minister Tuan was oneof the most prominent of the military commanders who signed the memorial to the Throne at the end of January, 1912, urging the Emperor to abdicate. To reward his meretorious service in overthrowing the Manchu Monarchy, he was given the position of Minister of War upon the formation of the first Republican Cabinet. He was given the rank of General in September of 1912 by the Republican Government, and that of Field Marchsal three years later, In 1915 General Tuan was appointed Chief of the Headquarters Staff.

From May 1 to July 19 1915, General Tuan acted as Prime Minister upon the death of Chao Ping-chun. On December 10 of 1913, he was appointed acting Military Governor of Hupeh during the absence of General Li Yuan-hung, the late President of China, who was then the Vice President in Peking. Had it not been for his presence in Wuchang at the time, it was feared that general Li's troops might have revolted against the Central Government, which made General Li as virtual prisoner by requiring him to stay in Peking and refusing to allow him to return. In 1914, General Tuan was appointed Minister of War again, but in June 1915, he was granted sick leave on account of his disapproval of the monarchical movement to make Yuan Shih-kai' the Emperor. After the overthrow of the movement, General Tuan was made Prime Minister, and was responsible for the preservation of order in Peking. Some troops showed an inclination to loot Peking. On this occasion, General Tuan exhibited an unusual degree of courage and bravery by placing several machin guns at the entrance to the camp and declaring to them in person that he would kill everyone in the barracks if they dared cause disturbances in the capital. The soldiers yielded to the supreme bravery of the Prime Minister, and withdraw thier threat to loot the city.

General Tuan resigned in the early part of 1917 when Parliament refused to pass his bill to declare war upon Germany and Austria-Hungary. Later developed Chang Hsun's movement to restore the Manchu Emperor to the Throne. At the same time Parliament was dissolved

by General/

(GENERAL TUAN CHI JUI)

by General Li Yuan-hung, the then President, upon whom pressure was brought to bear by the members of the Peiyang Party to secure the desired dissolution. General Tuan, however, overthrew Chang Hsun's monarchical movement in July of 1917 and restored order in Peking. Consequently upon this, he was made Prime Minister again. A few months later he resigned because his troops refused to fight the Southern opposition in Hunan. General Wang Shih-cheng, former chief of the General Staff, an intimate associate of his, succeeded him as Prime Minister. General Wang's Cabinet, however, fell in the early part of 1918, and General Tuan was again made Prime Minister. He is still holding that important position today.

(MILLARD'S REVIEW - AUGUST 3, 1918.)

TSUR CHI LIEN.

Dr. Tsur Chi-lien, Chinese Consul General to New York, is leaving for America. This appointment was made a month ago. Dr. Tsur is a native of Ningpo, Chekiang, and thirty-five years of age. After having obtained the rudiments of foreign education at St. John's University of Shanghai, he went to England and attended Edinburgh University and received the degree of M.A. Shortly afterwards he studied in Germany and specialized in political science and was awarded the degree of Ph.D.

Upon the completion of his education in Germany Dr. Tsur returned to China and entered the government service. In 1910 he accompanied Chang Chung-hsiang, the present Chinese Minister to Japan, to Germany to study German constitutional and municipal governments. They returned in the later part of 1911 when the first revolution resulting in the establishment of the present Republic commenced.

After the overthrow of the Manchu Regime, a law compilation bureau was established at Peking and Dr. Tsur was appointed a councillor of it. This position he held for two years. In 1914 Dr. Tsur was appointed Third Secretary to the Chinese Legation in Japan. At the time when he was recalled to be commissioner to Australia in chanrge of German and Austrian prisoners in June, he was second secretary to the Chinese Legation in Tokio. After the decision to deport enemy subjects in China to Australia was reversed, Dr. Tsur was made a member of the Foreign Office. For a while he was Acting Secretary. As the government found him to be a capable diplomat, it gave him the New York post.

The following comment from the "Japan Advertiser" of Dr. Tsur's written shortly before his departure from Tokio for Peking shows that he was well liked by his colleagues in Japan:

"Mr. Tsur has been a resident of Tokio for four years and in that time has been one of the best known and most popular members of the diplomatic corps in the Capital. Serving first under Lou Tsing-yu and latterly under Mr. Chang, the present Minister, he has taken part in an number of important negotiations between the two countries including those of 1915 which caused so much discussion and later those of the present year, as has just been announced, in the military convention concluded in the interests of the Allied cause Mr. Tsur's stay in Japan has also coincided with such ceremonial occasions as the coronation of the present Emperor and the reception of the official envoy of the Chinese Republic, and his experience of public life in Japan has thus been more extensive than falls to the lot of every member of the diplomatic body.

"Mr. Tsur has also come closely in touch with the foreign community of the capital, partly because of his unusual knowledge of the English language and an interest in English knowledge literature which made him one of the most omnivorous readers of English books. His studies at E dinburg University made him familiar with British culture and British residents in Tokyo always found him well informed and taking a lively interest in British politics and affairs generally - valuable equipment to a young diplomatist of the Chinese Republic. His departure will be generally regretted by the foreign community here."

C. T. WANG OR CHENGTING THOMAS WANG.

C. T. Wang, Speaker of the Canton Senate, has recently left Shanghai for America on a mission to secure the recognition of the Southern government by Washington. Mr. Wang is accompanied by Eugine Chen, editor of the "Shanghai Gazette", who will probably act as his secretary.

Mr. Wang was bron in Ningpo, Chekiang, in the year of 1882. After having acquired the rudiments of education in his native province, he went to the North and entered the Peiyang University, Tientsin, which was then considered the most up-to-date institution of high learning in China. After his graduation, Mr. Wang taught in various schools for a while, and then went to Japan as a Y.M.C.A. secretary, doing much good work among Chinese students studying in that country.

In July of 1907, Mr. Wang sent to America as a self-supporting student. Druing his first year in the United States, he studied liberal arts at the University of Michigan. From 1908 to 1911 Mr. Wang attended Yale University. In 1910 he received the degree of B.A. Upon his return to China in 1911, Mr. Wang was appointed secretary of the Chinese Y.M.C.A. at Shanghai. Soon afterwards the first revolution which resulted in the establishment of the present Republic broke out, and Mr. Wang actively idnetified himself with the revolutionary leaders. He worked for a time under General Li Yuan-hung, former President of China, who was then a powerful revolutionary commander. During the peace negotiation, Mr. Wang acted as General Li's representative and participated in important discussions held at Shanghai.

After the abdication of the Manchu Emperor and the organization of a provinsional republican government, Mr. Wang was elected a member of the Provinsional Legislature which sat at Nanking, the center of the revolutionary administration. In 1912 the present Speaker of the Canton Senate went to Peking when the national government was transferred thither and Dr, Sun Yat-sen resigned the Presidency in favor of Yuan Shih-kai. He was at once appointed Vice-Minister of Commerce and Industry. Later he was ordered by a Mandate to act for the Minister, who resigned.

When the first Parliament met in 1913, Mr. Wang was elected Vice-Speaker of the Senate, which was then practically in control of the Kuomingtang or the People's Party. He is a member of that party. After six months' sitting, the Parliament was dissolved by the late President Yuan Shih-kai. With its dissolution, Mr. Wang retired into private life and was afterwards invited by the Shanghai Y.M.C.A. to rejoin its services. He was appointed Secretary of the National Committee of the Y.M.C.A., and in that capacity did much for that institution.

After the death of Yuan Shih-kai in 1916, the old Parliament was recalled, and Mr. Wang resumed his office as Vice-Speaker of the Senate. He remained in this position until the Parliament was again dissolved in 1917, this time by former President Li Yuan-hung, upon whom pressure was brought to bear for signing the Mandate dissolving the legislature. Mr. Wang then went to Shanghai and joined the anti-government forces. When the twice-dissolved Parliament first met at Canton, the center of opposition, he was present.

As Mr. Wang is popular in America and is an eloquent speaker the Southern government has dispatched him to Washington to represent its case before President Wilson and secure American recognition of its belligerency.

WANG CHING CHUN.

Dr. Wang Ching-chun, better known as Dr. C.C. Wang, is a "new" man of constructive ability who has accomplished some real reforms by hard work. Had it not been for his order to recall several hundred cars and locomotives from Koupangtze, which General Feng Ling-kuo's soldiers tried to seize an hour later for thier transportation to Peking to fight the Republican army under Prime Minister Tuan, Chang Hsun's monarchical movement last June would have been really bloody. Little did the people know hom much assistance Dr. Wang rendered in defeating Chang Hsun's imperialistic scheme.

Born in Lanchow, Chihli, in 1882, Dr. Wang after having studied for some time in the Peking Methodist University, went to America in 1904, supporting himself as he went along. Two years later he won a government scholarship on account of his good work in college. In 1908 he graduated with honors from Yale University as a Civil Engineer. He received his M.A. and Ph.D. from the University of Illinois in 1909 and 1911 respectively. He was appointed a lecturer in Oriental History and Commerce and awarded a followship by the same University. During his residence in America, Dr. Wang held various offices, such as the Editor-in-chiwf of the "Chinese Students Alliance" the Association of the Cosmopolitan Clubs. He was active in all student activities and organized as an energetic leader.

Dr. Wang also studied railway administrations in Europe. Upon his return home he was appointed a member in the Ministry of Communications. Later he acted as councillor in the Ministry of Foreign Affairs of the Provisional Government in 1912. During that period Yuan Shih-kai repeatedly offered to make him his English secretary, but he declined, their principles being different. Later he was promoted to be co-Director of the Peking Mukden Railway and co-Director of Peking Hankow Railway. He was soon sent out together with Dr. Chen Chin-tao to America to arrange a site with the American government for Chinese merchants in the Panama Pacific International Exhibition, which mission he performed with satisfaction. From America he went to Europe in to gain further knowledge on railway administration. Upon his return to the States he wrote a number of scholarly articles for wellknown magazines, among others "The Atlantic Monthly."

As soon as he got back he was appointed Vice-Chariman of the Commission on the Unification of Railway Accounts and Statistics from 1913 to 1914, of which he was really in charge. The fundamental reform in this connection was largely due to Dr. Wang's initiation and persistance. Later, Dr. Wang was appointed Director of the Department of Railway Finance and Accounts and Acting Director-General of Posts under the Ministry of Communications, concurrently. On account of Minister Hsu Shih-yin's reactionary policy in 1916, the Commission on the Unification of Railway Accounts and Statistics, which Dr. Wang had so ably built up, was dissolved by a ministerial order, and Dr. Wang was made a Councillor of the Ministry, which was in effect an Irish promotion. Such unjust treatment would discourage most of the return students, but Dr. Wang still did his best to save whatever he could out of the dissolved Commission, although his official position then had nothing to do with thev unification of railway accounts and statistics.

(Wang Ching-chun continued)

As his ability could not be perpetually hid under the bush, he was appointed Acting Managing Director of the Peking Mukden Railway in the summer of 1917. In this capacity, he spared Peking a bloody battle between Republican troops and General Feng Ling-kuo's Hungfutze soldiers by his timely withdrawal of locomotives and cars from Koupangtze in order to prevent this hairy horde from coming to the Capital. When the Republic was restored, Dr. Wang was appointed Managing Director of the Peking-Hankow Railway, in recognition of his valuable service. This office he is still holding to-day. He is recipient of the Second Class Chia-ho Decoration. Dr. Wang was the Government delegate to the Fifth International Congress of Commerce and Senior Delegate to the Fifth International Thorough Traffic Conference in Japan. He handled the plague-prevention work with skill. Besides being a popular orator, Dr. Wang is a social worker. He is interested in the Y.M.C.A., and other Christian work and philanthropic movements. A model returned student he is!

WANG TA HSIEH.

Wang Ta-hsieh, also known as Pa-tang, a native of Chekiang Province, was Secretary Wei Wu Pu (Foreign Office in Late Tsing Dynasty), September, 1903; appointed Minister to Great Britain in September, 1905 and was transferred back in November 1906, and appointed Vice President of Wei Wu Pu. Was sent to Great Britian again in 1908 as Special Commissioner to study the British Constitution, but transferred back in August, 1908 and was appointed ~~Chihs~~ Vice President of the Board of Communications. Appointed Chinese Minister to Japan in May, 1910.

After the revolution he was appointed Minister of Education on 11, September, 1913; given the 1st Class Chao Ho Decoration on October 8, appointed Special Examiner of Civil Officials on 29, November; resigned from Office of Minister of Education on 20, February, 1914. Appointed President of Ping Tsen Yuan on 31st March, 1914; Chief Examiner of the 2nd examination of Chih Shih (District Magistrates) on 21st, April, 1914. Appointed Vice President to Tsan Tsen Yuan on 26 May 1914; resigned on account of sickness on January 17, 1915.

Appointed Minister of Communications on 30, June, 1916; resigned on July 13, 1916.

On February 27, 1917 he was especially despatched to Japan conveying the Ta Hsun Decoration to the Emperor of Japan; on March 3, given 1st class wen Hu Decortation.

Appointed Minister of Froeign Affairs on 15, July, 1917. Appointed Acting Premier at the resignation of General Tuan Chi-jui, November 22, 1917, resigned on December 12, 1917.

WANG YI TANG.

General Wang Yi-tang, former Chairman of the National Council , was elected Speaker of the House of Representatives August 20. He is under fifty. A native of the Province of Anwhei, General Wang studied in both Germany and Japan. During the last days of the Manchu Regime, he accompanied the five Manchu commissioners to Europe and America to study their constitutional governments. When he was in Germany, he picked up some German Military knowledge. Upon his return to China, he passed an examination held for returned students successgully. Then he went to Japan further to pursue military science. General Wang was appointed military adviser to the late President Yuan Shih-kai. During the period he associated with many military men. When Yuan Shih-kai came to term with the South West regarding the cancellation of the Nanking Provisional Government, General Wang was one of the four representatives sent to interview prominent persons at Nanking at his behalf.

In the first year of the Republic of China, the present Speaker of the House of Representatives was instrumental in orgainzing the Kung Ho Tang, a political party. He was elected a member of Parliament, where he sat until its dissolution. He did much in electing Yuan Shih-kai as former President on October 3, 1913. In consequence he was awarded the military governorship of Kirin. This office he held with efficiency, and so he once remarked in a Napoleonic way that "nothing is difficult if one bends one's energy to it". The word "difficulty is not found in my vocabulary." Later, General Wang was, however, expelled from Kirin by the military officers, with whom evidently he was not no good terms. Yuan Shih-kai, his patron, then gave him the position of the Minister of Interior, but Yuan died soon afterwards following the failure of his monarchical movements. Soon afterwards General Wang left the Cabinet and founded educational institutions as his hobby. He orgainzed the Kuo Ming University and the Chung Hua University. In 1916 and 1917 he went to German and France to study the military organizations of those two countries. Upon his return to China he renewed his associations with the military men of the country. He was active in politics. When the national Council for the remarking of the law on the organization and election of the members of the Parliaments was organized lastwinter, General Wang was appointed Chairman of it. After the completion of this work, he orgainzed the An Fu Club, the principal platform of which is to elect Hsu Shih-chang as President. He was elected a member of the House of Representatives, and is now elected Speaker of the House.

That **TYNDALL WEI.**

That Tyndall Wei, Secretary of the Loan Department in the Ministry of Finance, is one of the most hard-working men in that Ministry, is the verdict of his colleagues. Beginning his career as teacher in a high school in Kiangsu a decade ago, Mr. Wei has gradually worked his way up, and is now well informed on all financial affairs of China.

Mr. Wei attended the Soochow University at the time when that institution of learning, the handwork of Dr. D. L. Anderson, an American Missionary venerated by his students and other acquaintances alike, was in its infancy. On leaving the University, Mr. Wei was engaged in teaching and promoting educational enterprises. In the years following the Boxeer trouble, a big movement for educational reform was afoot in this country, especially in the province of Kiangsu, and Mr. Wei identified himself prominently with this movement. Prior to his coming to the North, Mr. Wei was engaged in writing articles for several English papers. His journalistic ability attracted the attention of the propritor of the "Peking Daily News" and he was subsequently engaged as assistant editor of that paper. For almost one year he worked in the office of the "News" and was successful as a newspaper man. In 1914 he joined the Ministry of Fiannce. He was repeatedly promoted through sheer industry and his ability to handle the work. He was assigned to the Loan Department, where he practically attends to all foreign affairs of that department, and his advice is valued by these high up

When the Bureau of National Loans was established in August, 1914 to float the third year National Loan, Mr. Wei was English Secretary to the Bureau, aside from working in the Ministry. Upon the organization of the Plague Prevention Commission last winter, he was appointed Treasurer to the Commission and in that capacity he handled the proceeds of a plague loan concluded with the Group banks.

Mr. Wei, besides being a good Chinese scholar, is also a forcible writer in English. Born in Soochow, Kiangsu, Mr. Wei is thirty two years old. Men of his type are rendering real service to the country, although few persons know much of it.

WONG KEN.

Only twenty three years of age, Lieutenant Wong graduated from Westpoint this summer, after having completed courses in Princeton University. He returned to China on the 29th of July, and has since been appointed a member of the Ministry of War.

Lieutenant Wong was born in 1895 at Wusih, Kiangsu, and studied at Andin High School, where he graduated in 1910. By competitive examinations he entered the Tsing Hua College in Peking one year later, and was sent to America in the summer of 1911 to pursue a higher education. Upon his arrival in the United States, Lieutenant Wang entered the University of Michigan. In his second year of stay in America, he studied at Columbia University, and in his third and fourth year studied at Princeton University and received his B. Litt. in 1915. In the summer of the same year, he joined Westpoint as a Chinese government student, where he was graduated in 1918.

Mr. Wang graduated from Princeton with honor, and at Westpoint his graduation standing ranked the 12th, although there were 140 students in his class, most of whom will go to France this winter to praticipate in the war. He was awarded "marksman" for target shooting and appointed cadet sergeant during his last year of stay at Westpoint. Two other Chinese were graduated from this national military academy of the United States of America before, but Lieutenant Wang was the first one to get the appointment of cadet sergeant on account of his high military efficiency. Owing to his excellent command of English he was chosen a member of the staff of the "Howitzer Board" a class annual.

Upon his return to China, Lieutenant Wang was appointed a member of the Ministry of War. At the present time, there is another Chinese student studying at Westpoint. He is Cadet Lonson F. Dzau, who will probably be graduated next year.

WONG SHIH TSEN.

Wang Shih Tsen, General, a native of Chihli, was a Lt. General in Manchu Regime, After the revolution in 1911 when Yuan Shih-k'ai organized the new Government he was appointed President of the Board of War, and later Inspectorate of Kiangpeh. Ln 1915 when General Tuan Chi-jui resigned in August he was made the Minister of War. In 1916 when General Tuan Chi-jui assumed office of premiership he was appointed Chief of General Staff. On June 24, 1917, he was appointed Minister of War and act concurrently as Chief of General Staff. He formally assumed office of Minister of War on June 27. He is a Pei Yang man and an intimate friend to General Tuan Chi-jui, that is why hs strongly refused the Premiership at the dismissal of General Tuan though the President called personally at his residence to persuade him. Minister of War in Li Chin-hsi's Cabinet. Appointed Member of Privy Council after the restoration of the Manchus. Reassumed Office of General Staff when General Tuan restored the Republic. He came of the same school and sect as Tuan Chi-jui.

Appointed Minister of War at the resignation of General Tuan Chi-jui on November 20, 1907. Acting Premier November 30, 1907. Resigned the post of Minister of War in the December. 18, 1907.

Resigned the post of Premier, but rejected and was only granted leave of absence February 20, 1918.

WU CHI SUN.

Wu Chi-sun, Chief Secretary to President Hsu Shih-chang, was born at Kushihhsien, Honan, and his family has been well known in China for many generations through the literary attainments of some of its members and their occupations of important official positions. Mr. Wu is over forty years of age and is a Chinese scholar. His father was an official of the late Tsing Dynasty, and removed his home from Honan to Chihli, and finally settled down at Paotingfu, capital city of the province, of Chihli. Wu Chi-sun's and President Hsu's families have been on the most intimate terms for almost half a century.

When Hsu Shih-chang became Minister of Police in 1905, he appointed Wu Chi-nun, a brother of Wu Shi-sun, to be police chief for the preservation of order in the Chinese city of Peking. At the same time, he secured for Wu Chi-sun a position in the Ministry of Interior or of Civil Affairs, as it was then called, as a senior clerk. From 1905 to 1907 Mr. Wu worked in that Ministry.

1907, when Hsu Shih-chang was appointed Viceroy of Manchuria, he transferred Wu Chi-sun from the Ministry of Interior to Manchuria, made him his private secretary and entrusted him with the special work of taking charge of all important telegrams received from Peking or sent out. In Manchuria Mr. Wu remained for three years.

In 1910, when Hsu Shih-chang was appointed Director-General of the Tientsin Pukow Railway Administration, he again transferred Wu Chi-sun from Manchuria to his new office. Upon the establishement of the Republic in 1912, Mr. Hsu retired and Mr Wu retired with him. In 1914 Mr. Hsu was appointed Secretary of State when the lat President Yuan Shih-kai changed the cabinet system of government into the presidential system, Wu Chi-sun was made a secretary under his prtron in the Secretariate of State.

In the last days of his regime in 1916, Yuan Shih-kai was anxious to give Wu Chi-sun an important appointment, considering him to be a man of talent and executive ability. But the latter declined, anticipating the impending movement to make Yuan Shih-kai the Emperor of China, and anticipating his failure. After the death of Yuan Shih-kai, and upon the restoration of the Republic, Mr. Wu accepted the appointment as Director of the Government Printing Bureau. Later he was made Chief of the Department of Important Documents in the Cabinet under Tuan Chi-jui, who was then Prime Minister. When he was appointed Chief Secretary to the President he resigned from the latter position.

Mr. Wu manages the home affairs for the new President. He is good natured and frank, and is well liked by his associates.

WU LIEN TEH.

Dr.Wu Lien-teh, Director and Chief Medical Officer of the Manchurian Plague Prevention Service and Physician Extradinary of the President of China, was born of Cantonese parentage in 1879 and received his early education in the Straits Settlements, where he achieved a brilliant record and was sent by the Government to continue his studies at Cambridge and London. Here Dr. Wu (or G.L.Tuck, as he was known then) won a great reputation both as a student and an original investigator, and was awarded a long list of prizes and honors in general science, surgery, clinical medicine, pathology and bacteriology. He took his B.A. (Cambridge) with first calss honors and received the gold medial for clinical medicine. His old college gave him a travelling scholarship for two years to Malay States, as a result of which he contributed much scientific information to the literature of tetanus, beri-beri, aortic worms and malaria.

Dr. Wu was engaged in private praatice in Penang from 1904 to 1908, after which he joined the Chinese Government service at the invitation of the late Yuan Shih-kai, and became vice-director of the Pei Yang Army Medical College. The sudden outbreak of pneumonic plague in Manchuria gave Dr. Wu a fine opportunity to display his constructive gifts, and the success with which he accompanied that difficult and dangerous task won for him an international reputation. At the end of the epidemic the Chinese Government called an international Plague Conference to sit at Mukden, and Dr. Wu was elected Chairman of that noted assembly of world scientists.

Dr. Wu also represented China at two Hague Opium Conference(1912 and 1913), the International Congress of Medicine, London, and the Congress of School Hygiene, Buffalo (1914).

The successful establishment of the Peking Central Hospital in 1918 was largely due to the unstinted efforts of Dr. Wu, supported by staunch friends like S.T. Sze, Chou Hsueh-hsi, Tsao Ju-ling, Liang Chi-chao, and others.

Dr. Wu also possesses the Honorary Degrees of L.L.D. (Hongkong), Litt,D. (Peking), and is a fellow of the British Royal Institute of Public Health, Society of Tropical Medicine, and a member of other learned societies in Great Britain, China and Japan.

T. H . YEH.

T. H. Yeh, brother of the Managing Director of the National Commercial Bank, Yeh Kuei-chu, has been connected with the Ministry of Finance for five years successfully, and is well acquainted with many phases of the problem of currency reform.

Born in Hanchow, Chekiang, Mr. Yeh received his early education under private tutors, and was required to study classic Chinese. Soon after the Boxer rising in 1900, he came to the North and entered the PeiYang University by competitive examinations. Dr. C. D. Tenney, now Chinese Secretary of the American Legation in Peking, was then the dean of the University, where Mr. Yeh studied for two years and a half. After a lapse of one year, when he was ill, Mr. Yeh went to England to pursue hight education. During the first few months in England he was a self supporting student, but later he was given a government scholarship, which was granted by Yuan Shih-kai when he was Viceroy of Chihli.

Mr. Yeh studied in England for six years and a half, and attended Birmingham University and the Victoria University in Manchestre. He was graduated from the first institution with the degree of B.S.C. He specialized in chemistry, economics, and commercial and industrial orgainzations. In the first year of the Republic, in 1912, Mr. Yeh returned to China. The following year he joined the Ministry of Finance as technical expert. One year later he was promoted to the head of the Currency Department, and when Liang Chi-chao was appointed Director General of the Currency Reform Bureau, he was appointed Chief of the currency and mint department of the Bureau. Upon the dissolution of the Currency Reform Bureau Mr. Yeh returned to the Assay Office as its Chief. He was occasionally sent out by the Minister of Finance for inspection of almost all the mints in China.

When Liang Chi-chao was Minister of Finance last year, Mr. Yeh concurrently acted as his secretary. At present he is also Associate Director of the Bureau of Printing and Engraving. Mr. Yeh is thirty-seven years old and as a briliant future ahead of him.

YEH KUNG CH'O.

Yeh Kung-cho, whose resignation from the Office of Vice Minister of Communications was accepted a fortnight ago, is one of the Few Chinese experts in railway affairs. It is believed in official circles that he will return to the Ministry of Communications sooner or later even with greater power.

Born in Kwangtung in 1880, Mr. Yeh came to Peking after having received the rudiments of his education in his native province, and entered the Government University. After his graduation he taught in various schools in Hupeh. His executive ability and his capaility to grasp situation attracted the attention of high officials in the Capital, and he was given an official position in the Ministry of Communications. Shortly after his joining the Ministry, rapid promotions followed. He was one of several capable officals who planned to get back the control of the Peking-Hankow Railway from foreigners.

When the first revolution broke out in 1911, he left the government service. Later, he was appointed a councillor to conduct the negotiations between the North and South, He was also a delegate to prepare for the organization of the Provisional Government in Nanking. Gradually he became associated with more prominent personages in the country.

Upon the establishment of the Republic, he was made chief of the railway department in the Ministry of Communications. At the same time he was a member of the Finance Committee. During the time, a railway association was organized under the suspices of Liang Shih-yi to unite his followers. Of the Association Mr. Yeh was elected Vice Chairman.

mi Mr. Yeh was chairman of the Committee to decide the technical terms used by the different government as well as private railways. For some time he was also chairman of the Society for the unification of the Railway Statistics and Accounts. He was assisted by Dr. C. C. Wang, present manager of the Peking Hankow Railway., in undertaking the reform. Upon Dr. Wang's recommendation and through his influence, an American statistic expert, Dr. Adams, was engaged to advice the commission.

In July of 1913, Mr. Yeh was appointed Vice-Minister of Communications. In 1915, when his patron, Liang Shih-yi, lost the favor of the then President, Yuan Shih-kai, he resigned. After the death of Yuan Shih-kai, he served as a secretary under former President Feng Kuo-chang, who was then Vice President, with his headquarters at Nanking.

In the summer of 1917 General Chang Hsun started the movement to restore the little Emperor to the Throne. Gen. Tuan Chih-jui raised the republican standard against him, and Yeh Kung-cho assisted General Tuan in the management of transportation affairs for the republican army. After the overthrow of the monarchical movement, General Tuan was made Premier and Mr. Yeh appointed Vice-Minister of Communications, which position he held until a fortnight ago.

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MAY 20 1919

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WASHINGTON

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch
MAY 1919

WAR DEPARTMENT

TELEGRAM

Paris,
Dated May 18,
Recd. May 18, 2:55 p.m.

CODE

Milstaff,

Washington.

No. 353, May 18.

Following received this day from Peking fifteenth.

"The surrender of German rights in Shan-Tung to Japan by decision of the Peace Conference is regarded by all classes of the Chinese as being a great diplomatic victory for the Japanese and is also interpreted by the pro-Japanese financiers and militarists as an assurance of the supremacy of the Japanese in China over the Allies. They feel also that this will insure Japanese and their agents the immunity from American or European interference in any financial or political program they may care to adopt. This confidence is as the result of a meeting of the militarists that was held at the President's palace yesterday and at which was decided to recommend that the Northern delegates at Shanghai be instructed as follows:

First, to strongly oppose the southern demands

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EXECUTIVE DIVISION, GENERAL STAFF
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WASHINGTON

TELEGRAM

Paris-2-
Dated May 18,
No. 353.

mands

Second, withdrawal of the delegates as soon as possible

Third, to resume hostilities.

It was said that assurances had already been given by Japan for the strongest support of such a program.

Please have the above transmitted to Milstaff, Washington. "DRYSDALE.

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A Proposed Plan for the Military and Civil Reorganization of China.

Today we are living in an age of terrific fighting and untold sufferings, humanity has at last thrown off its yoke of bondage and come into its rightful heritage of peace and freedom. The social order which humanity now seeks to establish is one in which right will reign, reason will rule, justice will prevail and happiness will be the pursuit of life. At no time in the history of the world, has the human spirit been so chastened, and the ideals underlying social reconstruction as broad and sublime. It is no exaggeration to say that the dawn of a happier period is imminent. Indeed, so imminent is it that in this very country strong efforts are being made to effect a reorganization which will lay the national foundation, and, by degrees, bring the country into full alignment with the most progressive peoples on the face of the globe.

Since the beginning of her intercourse with the West China has been undergoing a process of change; and, in that change, she has suffered as well as profited. Geographically, she was once isolated; to-day she has joined the family of nations. Politically, she was a monarchy; but is a republic. Economically she was independent and self-sufficient; but is poor and heavily indebted. Her contact with the West has impelled her to change and to move with a new pace; and it seems that unless she does so, she is threatened with the dire fate of nations that were.

In undertaking to reorganize a nation with a history of thousand years and more, the task is Herculean. On the one hand, we have a world of new ideas and advanced standards to which we have to conform, and on the other, we have a past of which any nation may well be proud, and from which we cannot cut ourselves asunder, without losing our culture, which is the heritage of ages. What complicates the situation is the impoverished condition of the country. Therefore instinctively we feel that the nation, in the beginning of its reorganization, must move slowly and cautiously, in order to avoid the hidden rocks on which many a ship of state has been wrecked ere now.

The problem of the reorganization of China is the problem of adaptation and readjustment from what she is to what she should be, and from what she cannot undertake to what she can accomplish for the welfare of her people and for the well-being of humanity in general. In studying and analyzing the problem, we find that it essentially resolves itself into two questions, namely the reorganization of the army and the reorganization of the civil government. The line of reconstruction which we propose to follow has its basis in the present financial conditions of the country, for, in the last analysis, no change can be effected without money, and any social structure, based on an insufficient financial foundation, is bound to fall.

The plan herein proposed may be divided into three parts. Part I gives the financial statistics from the last days of Kwanghsu to the present time. For the sake of simplicity, all figures are given in round numbers. Part II outlines the reorganization of the army, and Part III the reorganization of civil government.

Part I.

Estimates of Revenue and Expenditure.

1. Financial Condition from 1908 to 1911.

In the last year of the reign of Kwangshsu (1908), the estimated annual income and expenditure of the government were each about $200,000,000. When Hsuantung ascended the throne, the budget was greatly increased. Among the estimated receipts appeared the following figures: land tax $79,000,000; salt tax $71,300,000; customs duties $67,100,000; likin duties $36,500,000; direct and miscellaneous taxes $32,600,000; direct and miscellaneous additional taxes, income of government investments and other sources of revenue $64,300,000. The total was $350,800,000. On the side of expenditure were: payment of national loans $73,100,000, army 102,000,000, navy $18,000,000, administrative expenses $163,300,000. The total was $356,360,000. A comparison of the two totals showed a very small deficit, and this briefly was the financial condition in the last days of the Manchu regime.

Table I

Budget for the 4th Year of Hsuan Tung.

(From July 1st 1911 to June 30th 1912)

Ordinary Revenue

I.	Land Revenue	$76,545,320
	1. Land tax	54,354,937
	2. Government grain or its commutation	16,941,475
	3. Lease tax	5,248,908
II.	Salt revenue	71,279,902
	1. Field and over taxes	393,084
	2. Direct taxe	11,549,289
	3. Likin duty	13,529,028
	4, Surtax	25,976,366
	5. Miscellaneous taxes	3,358,868
	6. Government tzansportation receipts	8,193,417
	7. Local merchant subscriptions	3,660,156
	8. Miscellaneous receipts	4,619,694
III.	Customs revenue	67,120,582
	1. Maritime customs	56,747,607
	2. Native customs	10,372,975
IV.	Likin	36,584,005
	1. Likin on all goods	24,991,419
	2. Whole tax	9,989,941
	3. Local merchant subscriptions	761,019
	4. Miscellaneous receipts	841,626
V.	Direct and miscellaneous taxes	32,400,305
	1. Registration of title-deeds	15,127,459

	2. Pawnshop	478,789
	3. License tax (Wholesale agencies)	594,463
	4. Tea	1,313,031
	5. Wine and tobacco	6,288,601
	6. Mining enterprise	1,168,872
	7. Stamp	93,187
	8. Domestic animals	1,387,917
	9. Shop	238,305
	10. Miscellaneous	5,709,672
VI.	Direct and miscellaneous additional taxes	9,927,672
	1. Tobacco and wine	2,751,804
	2. License (wholesale agencies)	362,665
	3. Grains	2,911,579
	4. Pawnshops	646,819
	5. Salt	12,910
	6. Oil and sugar	862,468
	7. Miscellaneous	2,379,427
VII.	Revenue from government properties	20,710,572
	1. Government bureaux and works	18,907,458
	2. Profits of government shares	1,803,114
VIII.	Miscellaneous revenue	24,547,641
	1. Charge for collection	18,617,658
	2. Income from law courts	1,656,805
	3. Interest on government funds	2,493,522
	4. Deduction (of salaries and pay for absence)	1,203,222
	5. Balance of appropriations (due to saving and retrenchment)	85,059
	6. Miscellaneous income	491,375
	Total	$ 339,115,999

Extraordinary Revenue

nd revenue	$8,491,112
1. Sale of waste lands	756,886
2. Miscellaneous income	1,734,226
II. Salt revenue	83,326
1. Tax and likin	32,291
2. Miscellaneous duties	360
3. Government transportation receipts	47,601
4. Miscellaneous income	3,075
III. Direct & miscellaneous taxes	232,825
1. Registration of title deeds	46,618
2. Mining enterprise	39,502
3. Raw opium	146,705
IV. Direct & miscellaneous additional taxes	462,691
1. Prepared opium	523,167
2. Miscellaneous taxes	119,524
V. Contributions	887,718
1. Regular contributions	508,412
2. Relief fund contributions	117,558
3. Other contributions	201,748
VI. Miscellaneous revenue	7,201,827
1. Sale of government properties	3,090,108
2. Interest on government funds	1,255,218
3. Refund of government funds	330,480
4. Fines	159,974
5. Charge for collection	309,904

	6. Deductions (of salaries and pay for absence)	$183,037
	7. Balance of appropriations (due to saving and retrenchment)	237,834
	8. Miscellaneous income	1,635,272
VII.	Revenue from Government enterprises	205,474
	1. Government bureaux and works	28,597
	2. Profits on Government shares	176,877
	Total	$11,743,975
	Grand Total	$350,859,982

Ordinary Expenditures

	1. Funds in temporary custody of the Ministry of Finance	9,871,474
II.	Funds in custody of the Ministry of Foreign Affairs	3,719,513
	1. Ministry of Foreign Affairs	638,683
	2. Russian Language School	30,450
	3. Legations and consulates	1,930,356
	4. Bureaux of Foreign Affairs in Provinces	1,120,023
III.	1. The Ministry of Civil Affairs	5,423,698
	2. All offices attached to the Ministry in Peking	167,083
	3. Police offices in the provinces	1,790,613
	4. Miscellaneous administrative expenses in provinces	171,730
	5. Bureaux for the suppression of opium in provinces	327, 467

	Public sacrifices in the provinces	$ 321,400
	7. Distributions of calenders in provinces	11,395
	8. Other public celebrations in provinces	47,505
IV.	The Ministry of Finance	144,658,288
	1. The Ministry and all offices under its direct control	5,541,220
	2. All offices attached to the Ministry in Peking	3,065,245
	3. Viceroys and governors' offices	4,089,031
	4. Provincial treasurers' and all other financial offices	3,316,017
	5. Provincial grain commissioners' offices	1,784,869
	6. Provincial police commissioners' offices	1,918,644
	7. Prefects, sub-prefects, magistrates and other officials' offices	22,511,178
	8. Expenses for provincial and district tax collection	2,781,847
	9. Salt commissioners' offices and sub-offices	5,846,615
	10. Likin stations in all provinces	5,295,655
	11. Government salt transportation	4,924,539
	12. Provincial inspectors' offices	29,544
	13. Government enterprises	2,473,174
	14. Maritime customs	6,101,662
	15. Native customs	1,843,173
	16. National debts	73,135,881
V.	The Ministry of Education	6,415,653
	1. The Ministry and all offices under its direct control	1,887,310

2. The law school for nobility and all offices attached to the Ministry in Peking	$154,516
3. Educational commissioners' offices	460,965
4. All other educational bureaux in provinces	1,082,938
5. Colleges and universities in provinces	318,865
6. Government scholarships in foreign lands	3,209,677
7. Maintenace of Confucian temples in provinces	211,378
8. Educational expenses required by all generals, lieutenant-generals and defense commissioners	90,604
VI. The Ministry of War	96,880,167
1. All military offices under its direct control	12,943,110
2. The Military Council	1,676,490
3. The Military School for Nobility	152,923
4. The Metropolitan Gendarmerie	931,034
5. The Imperial Bodyguard	3,924,169
6. The Manchurian, Mongolian and Chinese Eight Banner Corps	2,355,649
7. The Double Wing, Front Wing, Eight Banner and Defensive Corps	1,647,696
8. The Eight Banner Corps at Yuen Ming Yuen and the Upper Three Banner Corps	297,415
9. The Artillery Corps (Imperial Guard)	343,695
10. The Light or Height-Scaling Corps (Imperial Guard)	178,137
11. The Hunting Corps (Imperial Guard)	1,015

12. The Three Arts Corps (Imperial Guard	$ 2,031
13. Offices of Military guides	1,066
14. Manchu Garrison	7,319,334
15. Chinese Garrison	18,050,362
16. The Green Banner Corps	457,980
17. The Army	34,668,730
18. Military bureaux and works	866,910
19. Arsenals	7,654,671
20. Forts	751,329
21. Horse-and-mule ranches	23,949
22. Boundary camps in Mongolia	236,874
23. Military communications	3,141
24. Military education	2,792,797
25. Miscellaneous expenses for military affairs	258,967
26. Miscellaneous expenses for troops	340,687
VII. The Ministry of Navy	11,723,563
1. The Ministry and all offices under its direct control	2,180,887
2. Naval forces in provinces	4,570,434
3. War vessels in provinces	3,573,136
4. Docks and Dockyards in provinces	1,174,809
5. Naval schools in provinces	224,307
VIII. The Ministry of Justice	10,135,020
1. The Ministry and all courts under its direct control	995,953

2.	All offices attached to the Ministry in Peking	$ 344,311
3.	Provincial judicial commissioners' offices	1,324,746
4.	Offices of different grades of judges and procurators in the provinces	4,592,628
5.	Prisons and reformatories	2,142,955
6.	Support of prisoners	527,454
7.	Judicial education in provinces	206,973
IX.	The Ministry of Agriculture, Industry and Commerce	5,669,629
1.	The Ministry and all offices under its direct control	964,759
2.	Provincial industrial commissioners' offices	.398,163
3.	Other industrial bureaux	587,185
4.	All government industrial enterprises	1,285,892
5.	River conservancy and breakwater	2,313,192
6.	Port development bureaux	119,838
X.	The Ministry of Communication and Posts	4,333,107
1.	The Ministry and all offices under its direct control	1,270,764
2.	Military posts and stations in provinces	2,166,766
3.	Despatch offices in provinces	353,942
4.	Maintenance of roads and highways in provinces	277,500
5.	Maintenance of telegraph administrations in provinces	36,822
6,	Post offices in provinces	214,884
7.	Navigation in provinces	12,429

Ministry of Dependencies	$1,795,612	
1. The Ministry and all offices under its direct control	604,792	
2. Border defences	420,166	
3. Border administration	770,653	
Total		$300,625,126

Extraordinary Expenditure.

1. Funds in temporary custody of Ministry of Finance	5,498,986	
II. The Ministry of Foreign Affairs	625,173	
1. The Ministry	124,860	
2. Russian language school	750	
3. Legations and consulates	329,376	
4. Bureaux of foreign affairs in provinces	170,187	
III. The Ministry of Civil Affairs	882,304	
1. The Ministry and all offices under its direct control	415,048	
2. Bureaux of civil affairs in provinces	228,804	
3. Bureaux for the suppression of opium in provinces	35,260	
4. Census bureaux in provinces	195,928	
5. Public sacrifices in provinces	679	
6. Encouragement of virtue and longevity	6,585	
IV. The Ministry of Finance	4,658,877	
1. The Ministry and all offices under its direct control	867,660	
2. All offices attached to the Ministry in Peking	1,031,130	

3. Viceroys and governors' offices	$ 3,818
4. Offices of provincial treasurers, financial commissioners, etc.	935,093
5. Offices of police commissioners in provinces	49
6. Collection of land and other taxes in provinces	94,321
7. Offices of salt commissioners	200,481
8. Likin barriers	21,663
9. Government salt transportation	10,803
10. Government enterprise in provinces	119,352
11. Maritime Customs	349,794
12. Native Customs	47,341
13. Liquidation Bureaux in provinces	978,372
V. The Ministry of Education	
1. The Ministry and all offices under its direct control	839,313
2. Offices of educational commissioners	1,943
3. Other educational bureaux in provinces	22,744
4. Government scholarships in foreign lands	126,967
VI. The Ministry of War	5,522,013
1. The Ministry and all offices under its direct control	114,327
2. The Metropolitan Gendarmerie	2,820
3. The Imperial bodyguard	3,897
4. Chinese, Manchurian, and Mongolian Eight Banner Corps	875,804

5. The Artillery corps (Imperial Bodyguard)	$ 1,575
6. Manchu garrison	57,189
7. Chinese garrison	263,320
8. Green banner corps	155,316
9. The army	3,633,846
10. Bureaux and works	74,728
11. Forts	54,316
12. Boundary camps in Mongolia	5,430
13. Military communication	27
14. Military education	279,418
VII. The Ministry of Navy	6,565,581
1. The Ministry and all offices under its direct control	6,349,269
2. Naval forces in provinces	10,264(10,264)
3. War vessels in provinces	12,043
4. Docks in provinces	159,865
5. Naval schools in provinces	34,140
VIII. The Ministry of Justice	333,514
1. The Ministry and all offices under its direct control	127,392
2. All offices attached to the Ministry In Peking	49,449
3. Prisons and reformatories	156,673
IX. The Ministry of Agriculture, Industry and Commerce	2,246,494
1. The Ministry and all offices under its direct control	311,901

2. Offices of industrial commissioners in provinces		$8,224
3. Other industrial bureaux in provinces		4,086
4. Government enterprises in provinces		254,566
5. River conservancy and breakwaters		180,004
6. Port development bureaux in provinces		1,487,712
X. The Ministry of Communication and Posts		330,427
1. The Ministry and all offices under its direct control		304,050
2. Telegraphic administrations in provinces		26,377
XI. The Ministry of Dependencies		99,919
1. The Ministry and all offices under its direct control		89,310
2. Border defence in provinces		9,945
3. Border administration		664
Total		$27,754,258 27,754,258
Grand Total		$328,379,385
Local Subsidies	18,982,222	
Emergency fund in the National Treasury	9,000,000	
Total expenditure		$356,361,607
Deficit		5,501,625

8. Financial condition in 1912 and 1913.

In the first days of the Republic, when military operations had just ended, everything was in a chaotic condition, and vast sums were required to carry on the government. As the provinces did not remit the taxes they had collected, the Central Government was placed in a most difficult positson, and had to resort to foreign loans, in order to support itself. In the budget of the second year of the Republic (1913), theincome and expenditure were both enlarged. This was due to the proceeds from the Reorganization Loan on the one hand, and the expepditure specified in it on the other. Let us briefly enumerate the various items of receipts:- income from national loans (for that budget year) $223,300,000; land tax $82,400,000; salt tax $77,500,000; customs duties $68,200,000; likin duties $36,800,000; direct and miscellaneous taxes $33,700,000; direct and miscellaneous additional taxes; income of Government investments, and other miscellaneous sources of revenue $34,000,000. The The total was $557,000,000. For the expenditure of that year, we have the following:- payment of national loans $300,700,000 (more than half of this sum went towards the settlement of all previous debts which had become due and were paid out of the Reorganization Loan, and the balance was expended for the payment of principal and interest on other loans for the year, amounting to $150,000,000); army $163,700,000; navy $8,900,000; administrative expenses

$350,000,000. The total was $642,200,000. There was a deficit of $88,200,000, which, be it remarked, was almost fifteen times as large as that of 1911, the closing year of the reign of Hsuantung. This was the financial condition in the first and second year of the Republic (1912 and 1913).

Budget for the Second Year of the Republic of China.

Table II.

Ordinary Revenue

I. Land Revenue	$79,180,723
1. Land Tax	57,813,927
2. Government grain or its commutation	16,732,771
3. Lease tax	3,244,556
4. Miscellaneous	1,389,469
II. Salt Revenue	77,401,265
1. Salt tax	39,758,706
2. Surtax	22,622,419
3. Miscellaneous additional taxes	1,918,820
4. Government transportation receipts	298,889
5. Reverted tax (tax rate reduced first, later restored)	578,454
6. Miscellaneous receipts	2,681,088
7. Additional tax	888,835
8. Profits	7,586,890
9. Local merchant subscriptions	1,067,164
III. Customs revenue	66,970,003
1. Native customs	9,728,832
2. Maritime customs	57,241,171
IV. Likin	36,876,823
1. Likin on all goods	23,211,754

4. Whole duty	7,985,169
5. Miscellaneous likin	5,679,900
V. Direct and miscellaneous taxes	33,725,227
1. Registration of title-deeds	12,225,184
2. Pawnshop	660,394
3. Tobacco, wine and sugar	10,250,842
4. Mining Enterprise	1,709,258
5. License tax (on wholesale agencies)	621,003
6. Tea	666,229
7. Stamp duties	710,000
8. Income tax	2,175,000
9. Special license for sale of tobacco and wine	2,175,000
10. Whole duty of goods	203,241
11. Fishery	141,320
12. Miscellaneous	2,189,776
VI. Direct and miscellaneous additional taxes	3,173,530
1. Tobacco and wine	1,745,561
2. License (on wholesale agencies)	59,415
3. Pawnshop	145,471
4. Miscellaneous	1,223,083
VII. Revenue from government enterprises	7,849,648
1. Government bureaux and works	7,050,243
2. Profits of Government shares	799,405

III. Miscellaneous revenue	$12,723,427
1. Income from the Ministry of Justice	6,650,027
2. Interest on government funds	767,363
3. Charge for collection	863,571
4. Miscellaneous income	4,442,466
Total	$317,900,646

Extraordinary Revenue

I. Land Revenue	3,222,889
1. Sale of waste land	1,822,055
2. Reclamation of land	138,976
3. Miscellaneous income	1,261,858
II. Salt revenue	164,269
1. Salt tax	2,162
2. Fines	8,065
3. Miscellaneous income	154,042
III. Customs revenue	1,254,280
1. Native customs	1,026,847
2. Maritime customs	227,433
IV. Likin	6,054
1. Fines	3,214
2. Likin on all goods	2,166
3. Miscellaneous likin	674

V.	Direct and Miscellaneous taxes	$417
	1. Miscellaneous taxes	417
VI.	Direct and miscellaneous additional taxes	132,412
	1. Licenses (on wholesale agencies)	33,412
	2. Pawnshops	99,000
VII.	Revenue from government enterprises	634,093
	1. Government bureaux and works	634,093
VIII.	Miscellaneous revenue	10,115,868
	1. Sale of government properties	2,353,559
	2. Refund of government funds	170,479
	3. Fines	1,438,236
	4. Interest on government funds	353,841
	5. Charge for collection	512
	6. Miscellaneous income	352,766
	7. Fee on examination of title-deeds	$5,446,475
IX.	Contributions	230,308
	1. Contributions	97,494
	2. Special subscriptions	1,238
	3. Patriotic subscriptions	131,576
X.	National Loans	223,370,000
	1. Foreign Loans	208,370,000
	2. Domestic loans	15000,000
	Total	$239,130,000
	Grand total	$557,031,236 .

Ordinary Expenditure

I. The Ministry of Foreign Affairs	$3,293,115
1. The Ministry	585,196
2. Legations and consulates	1,857,900
3. The Russian language school	42,204
4. Bureaux of Foreign Affairs in provinces	807,815
II. The Ministry of Interior	39,618,149
1. The Ministry	578,559
2. All offices attached to the Ministry in Peking	3,469,096
3. All provincial civil governors' offices	4,733,124
4. All provincial inspecting commissioners' offices	2,385,067
5. All magistrates' offices in provinces	16,965,608
6. Subsidies to police and police offices in provincial capitals and commercial ports	2,799,275
7. Water police in provinces	5,782,373
8. Building and construction in commercial ports	2,244,462
9. Public ceremonial functions in provinces	12,880
10. Reclamation and investigation of government and private lands	133,890
11. Suppression of brigadage and related work in provinces	184,524
12. Sanitation, relief and miscellaneous expenses in provinces	155,721
13. Border-pacification	173,570

III. The Ministry of Finance	$210,345,180
1. The Ministry and all offices under its direct control	774,860
2. All offices attached to the Ministry in Peking	6,996,099
3. Salt administration	8.271,778
4. Customs administration and maritime customs	8,536,293
5. Native customs	1,114,366
6. Manchu Imperial household	6,000,000
7. Salaries and pay for Eight Banner Corps and Imperial Mausolea	9,633,970
8. Administration of finance in provinces	11,265,878
9. National loans	151,751,936
10. Emergency funds	6,000,000
IV. The Ministry of Education	5,207,215
1. The Ministry	871,946
2. All schools under its direct control	1,348,938
3. All branch offices	271,862
4. Government scholarships in foreign lands	341,499
5. Subsidies	1,302,130
6. Administration of education in the provinces	1,070,840
V. The Ministry of War	136,864,494
1. The Ministry and all offices under its direct control	35,953,830
2. The general staff and all offices under its direct control	1,684,871

3. Military forces in provinces		$91,640,781
4. Military forces on borders of provinces		7,585,012
VI. The Ministry of Navy		7,665,881
1. The Ministry and all offices under its direct control		7,088,051
2. Naval forces in provinces		577,830
VII. The Ministry of Justice		14,671,825
1. The Ministry		445,627
2. All offices attached to the Ministry in Peking		945,489
3. Administration of justice in provinces		13,280,709
VIII. The Ministry of Agriculture and Commerce		5,083,386
1. The Ministry and all offices under its direct control		4,094,058
2. Administration of agricultural and commercial affairs in the provinces		989,328
IX. The Ministry of Communications		934,877
1. The Ministry and all offices under its direct control		930,616
2. Administration of communications in provinces		4,261
Total		$423,684,122

Extraordinary Expenditure

I. The Ministry of Foreign Affairs		1,013,223
1. The Ministry		196,800
2. Legations and consulates		629,000

3. The Russian language school	$870
4. Bureaux of Foreign Affairs in provinces	186,553
II. The Ministry of Interior	4,263,860
1. The Ministry	966,063
2. All offices attached to the Ministry in Peking	582,501
3. Water-police in provinces	405,954
4. Building and construction in provinces	1,662,762
5. Inspection in provinces	228,176
6. Relief work in provinces	53,750
7. Opium suppression in provinces	87,540
8. Suppression of brigandage and miscellaneous expenses in provinces	277,114
III, The Ministry of Finance	181,568,614
1. The Ministry and all offices under its direct control	257,615
2. All offices attached to the Ministry in Peking	963,905
3. The salt administration in provinces	20,841,671
4. The administration of Maritime customs	2,306,975
5. The administration of native customs	19,407
6. The Bureau of printing in Peking	669,375
7. Special expenses in connection with the reorganization loan	7,084,392
8. The administration of finance in the provinces	438,803
9. National loans	148,986,471

IV. Ministry of Education	$1,701,655
1. The Ministry	25,000
2. All schools under its direct control	1,380,675
3. All other subordinate offices outside of Peking	182,400
4. Government scholarships in foreign lands	54,580
5. The administration of education in the provinces	58,980
V. The Ministry of War	26,910,518
1. The Ministry and all offices under its direct control	19,839,921
2. The general staff and all offices under its direct control	505,747
3. Military forces in provinces	4,713,974
4. Military forces on borders	1,850,876
VI. The Ministry of Navy	1,307,014
1. The Ministry and all offices under its direct control	1,307,014
VII. The Ministry of Justice	370,312
1. The Ministry	279,012
2. All offices attached to the Ministry in Peking	74,900
3. The administration of justice in the provinces	16,400
VIII, The Ministry of Agriculture and Commerce	959,735
1. The Ministry and all offices under its direct control	569,570
2. Administration of agricultural and Commercial affairs in provinces	390,165
IX. The Ministry of Communications	457,843

1. The Ministry and all offices under its direct control	$119,860	
2. The administration of communications in provinces	337,983	
Total		$218,552,754
Grand Total		$642,256,876

5. Financial Condition in 1914 and 1915.

At the close of 1913, political conditions became more normal, and measures were taken to retrench expenditure as well as to develop new sources of revenue. A comparison of the estimates for income and expenditure showed a credit balance of $30,000,000 a condition which has never been obtained since. Among the estimated receipts for 1914 were:- income from national loans $25,000,000, land tax $79,200,000; salt tax $84,800,000; customs duties $78,700,000; tax on commodities $54,100,000; direct and miscellaneous taxes $28,000,000; remittances from provinces $29,600,000; direct and miscellaneous additional taxes, income of Government investments and other miscellaneous sources of revenue $22,000,000. Total $382,500,-000. The expenditures for 1914 were as follows:- payment of national loans $98,500,000; army $137,500,000; navy $4,800,-000; administrative expenses $117,100,000. Total $357,000,-000. This was the summary of the financial condition for 1914 and 1915.

Table III

Budget for the Third Year of the Republic.

Ordinary Revenue

I. Land revenue	$76,859,060
1. Land tax	55,457,265
2. Government grain or its commutation.	17,862,996
3. Lease tax	2,637,095
4. Miscellaneous	921,704
II. Salt revenue	84,879,873
1. Salt receipts	71,118,382
2. Receipts from Government transportation and sale	13,761,491
III. Customs revenue	78,773,341
1. Maritime customs	66,757,506
2. Native customs duties collected through customs commissioners	4,741,692
3. Native customs	7,274,143
IV. Taxes on Commodities	34,175,656
1 Likin	19,965,861
2. Whole tax	9,918,173
3. Production and consumption taxes	3,843,655
4. Miscellaneous	447,967
V. Direct and Miscellaneous taxes	28,000,424
1. Registration of title-deeds	11,290,395
2. Mining enterprises	1,064,665
3. License (on wholesale agencies)	903,655
4. Pawnshops	584,545

[illegible] and tobacco	$ 9,550,321
[illegible]. Tea	1,355,283
7. Sugar	383,929
8. Income tax	990,000
9. Stock-raising	547,590
10. Fishery	81,165
11. Miscellaneous	1,268,876
VI, Direct and miscellaneous additional taxes	4,937,281
1. Wine and tobacco	1,174,187
2. Tea	418,891
3. Sugar	112,217
4. License (on wholesale agencies)	73,232
5. Pawnshops	5,226
6. Miscellaneous	3,153,528
VII, Government Properties and Enterprises	4,063,483
1. Profits of government bureaux and works	2,716,833
2. Profits of government shares	1,136,203
3. Rents and leases of houses and lands owned by the government	210,447
VIII, Miscellaneous revenue	5,133,579
1. Ministry of Justice	1,508,505
2. Interest on government funds	532,636
3. Sale of government properties	68,280
4. Miscellaneous	3,024,158
IX. Income directly received by the different Ministries	4,620,775
1. Ministry of Interior	5,529

	2. Ministry of Finance	$3,681,479
	3. Ministry of Education	133,804
	4. Ministry of Agriculture and Commerce	72,235
	5. Ministry of Communications	747,730
X.	Revenue remitted by the Provinces	29,611,340
	1. Fees on examination of title-deeds	15 ,905,000
	2. Registration of title-deeds	4,923,040
	3. Wine and tobacco taxes	3,189,300
	4. License for sale of tobacco and wine	1,927,400
	5. Stamp duties	3,666,600
	Total	$351,064,812

Extraordinary Revenue

I.	Land revenue	$2,368,749
	1. Miscellaneous receipts	1,201,482
	2. Sale of waste land	1,167,267
II.	Tax on Commodities	10,391
	1. Fines	10,391
III.	Government Properties and Enterprises	364,021
	1. Miscellaneous	364,021
IV.	Miscellaneous Revenue	1,575,024
	1. Sale of government lands	1, 344,530
	2. Refund of government funds	40,175
	3. Receipts of the Ministry of Justice	49,596
	4. Interest on government funds	2,909

	4. Profits on government lands	$ 137,614
V.	Customs Revenue	629,716
	1. Maritime customs	596,956
	2. Native customs duties collected through customs commissioners	32,760
VI.	Income directly received through the different Ministries	1,406,077
	1. Ministry of Finance	3,120
	2. Ministry of Education	389,113
	3. Ministry of Agriculture and commerce	1,013,844
VII.	National Bonds	25,082,398
	1. Domestic loans	24,000,000
	2. Refund of Boxer Indemnities	1,082,398
	Total	$31,436,376
	Grant total	$382,501,188

Ordinary Expenditure

I.	The Ministry of Foreign Affairs	$4,229,529
	1. The Ministry	869,712
	2. Offices under its direct control	67,074
	3. Legations and consulates	2,400,000
	4. Subsidies	6,000
	5. Bureaux of foreign affairs in the provinces	886,743
II.	The Ministry of Interior	42,672,290
	1. The Ministry	512,000

2. The Metropolitan Gendarmerie	$ 1,244,000
3. Police	1,975,551
4. Offices under its direct control	428,475
5. Public ceremonial functions	55,888
6. Offices attached to the Ministry	131,190
7. Administrative expenses in provinces	38,325,188
III. The Ministry of Finance	23,383,888
1. The President's office	1,987,009
2. The Vice-president's office	360,000
3. The office of the Commander-in-Chief	384,243
4. The Political Council	1,015,535
5. The Ministry of Finance	540,000
6. All sub-offices	201,130
7. Offices attached to the Ministry in Peking	2,315,350
8. The Manchu Imperial Household	4,776,156
9. The Eastern and Western Mausolea	257,876
10. The Eight Banner Corps	2,866,819
11. Miscellaneous subsidies	13,000
12. Administration of finance in the provinces	8,666,780
IV. The Ministry of War	143,061,795
1. The Ministry	1,143,066
2. The General staff	600,000
3. The General's Headquarters	184,308
4. Military forces under direct control of the Ministry	38,269,532

5. Military schools	$2,144,994
6. Bureaux and arsenals	1,906,644
7. Military expenses	3,561,915
8. Military force in provinces	86,251,336
V. The Ministry of Navy	4 ,802,560
1. The Ministry	412,800
2. Offices attached to the Ministry	4, 329,760
3. Naval forces in provinces	60,000
VI. The Ministry of Justice	7,258,459
1. The Ministry	324,000
2. The Supreme Court	192,000
3. Offices attached to the Ministry	667,800
4. Administration of justice in provinces	6,074,659
VII. The Ministry of Education	3 ,276,904
1. The Ministry	400,000
2. The Commission of Arts and Science	36,000
3. Government scholarships in foreign lands	160,000
4. Institutions under its direct control	217,300
5. Offices attached to the Ministry	100,000
6. Subsidies	255,638
7. Sub-offices	3,000
8. Educational expenses in provinces	1,404,966
VIII. The Ministry of Agriculture and Commerc	2,276,537
1. The Ministry	600,000
2. Offices attached to the Ministry	578,800

	3. Sub-offices	$ 80,000
	4. National Oil and Mining Administrations	36,000
	5. National River Conservancy Bureau	92,826
	6. Administration of agricultural and commercial affairs in provinces	888,911
IX.	The Ministry of Communications	1,935,560
	1. The Ministry	811,400
	2. Educational expenses	465,280
	3. Administration of communication in provinces	658,880
X.	The Department of Mongolia and Thibet	1,065,344
	1. The Department	246,264
	2. Offices attached to the Department	42,000
	3. Sub-offices	704,693
	4. Administration of Mongolian and Thibetan affairs in provinces	72,387
XI.	Salt Revenue	17,993,513
	1. Salt Administration	6,559,217
	2. Government transportation and sale of salt	11,434,296
XII.	Customs Revenue	11,966,566
	1. Maritime customs in provinces	10,811,550
	2. Native customs in provinces	1,155,016
	Total	$254,922,955

Extraordinary Expenditures

I.	1. The Ministry of War	3,526,282

	1. The Ministry		$ 300,000
	2. Military schools under the control of the General Staff		200,000
	3. Generals' Headquarters		8,070
	4. Military forces under its direct control		146,941
	5. Bureaux		33,831
	6. Military forces in provinces		2,837,440
II.	The Ministry of Navy		10,000
III.	Redemption of / National Debts		98,564,793
	1. Domestic Loans	18,765,590	
	2. Foreign Loans	79,799,203	
	Total		$102,101,075
	Grand Total		$357,024,030

4.Financial Condition in 1916 and 1917.

The budget of 1916 was compiled from the receipts and expenditures of different places and those of new enterprises. It is to be noted that the scope of this budget was much larger, and on that account, the receipts and expenditures were both increased. Under the head of estimated receipts were: income from national loans $20,000,000; land tax $97,300,000; salt tax $84,700,000; customs duties $72,200,000; tax on commodities $40,200,000; direct and miscellaneous taxes $32,300,000; income directly received by the Central Government $93,000,000; direct and miscellaneous additional taxes, income of Government investments, and miscellaneous receipts of the provinces, and of the Central Government $31,000,000; Total $472,100,000. The Estimates of expenditure comprised the following: payment of national loans $137,600,000; army $142,200,000; navy $17,200,000; administrative expenses $174,500,000. Total $471,500,000. The total income slightly exceeded the total expenditure.

But that year unforeseen political distrubances chanced. As a consequence, military expenses became increased, on the one hand, and revenues dwindled on the other. The sale of the 5th year national bonds, and the collection of taxes like the surtax on land, tax on income, additional license taxes, additional likin duties,etc. had mostly to be abandoned. As for other kinds of revenue, they also fell short of the

estimated figures. Therefore the receipts for that year were about $80,000,000 below the estimated income. While this was the condition in regard to revenue, the expenses, however, were all necessary; and in spite of strong efforts being made to curtail them, the amount, thus saved, was insufficient to cover even the expenses incurred in connection with the new troops. The total deficit for 1916 was upwards of $80,000,000.

TABLE IV

Budget for the Fifth Year of the Republic.

Ordinary Revenue.

I. Land Revenue	$95,972,818
1. Land tax	63,359,484
2. Government Grain or its commutation	21,913,737
3. Lease tax	2,039,855
4. Miscellaneous	4,787,671
5. Surtax	3,872,071
II. Customs Revenue	71,466,911
1. Maritime Customs	58,377,312
2. Native customs receipts collected through customs commissioners	5,334,230
3. Native customs	7,755,369
III. Salt Revenue	84,771,365
1. Salt tax	82,909,365
2. Profit of Government transportation	1,862,000
IV. Taxes on Commodities	40,271,368
1. Tax on commodities	15,977,300
2. Whole tax	11,939,470
3. Likin	10,477,918
4. Production and consumption taxes	1,876,680
V. Direct and Miscellaneous Taxes	32,341,704
1. Registration of title-deeds	11,199,737
2. Wine	7,085,163

3. Tobacco	$1,826,616
4. Stock-raising	1,752,074
5. Tea	1,700,310
6. License (wholesale agencies	1,646,970
7. Mining enterprises	1,390,621
8. Shop	1,170,676
9. Butchery	784,935
10. Pawnshops	740,337
11. Sugar	620,951
12. Timber	217,177
13. Fishery	160,390
14. Miscellaneous	2,045,747
VI. Direct and Miscellaneous Additional Taxes	14,067,574
1. Wine and tobacco	1,346,150
2. Grains	1,325,600
3. Raw cocoons and silks	1,226,451
4. Butchery	982,225
5. Houses and shops	626,316
6. Merchandise	556,276
7. Charge for salt administration	500,000
8. Stock-raising	473,238
9. Tea	432,614
10. Duty on tax-receipts	400,000
11. Boats	374,459
12. Native cloth	336,000

	15. Bamboo and wood	$ 328,929
	14. Salt-peter	315,972
	15. Stores	288,882
	16. Scale and bushel-using business	254,609
	17. Vehicles	219,259
	18. Sugar	136,000
	19. Oil	100,000
	20. License (on wholesale agencies)	67,078
	21. Miscellaneous	3,781,516
VII.	Revenue from Government Properties and Enterprises	2,621,261
	1. Bureaux and works	2,057,713
	2. Profits of Government shares	543,672
	3. Government land	19,876
VIII.	Miscellaneous Revenue from the Provinces	6,927,694
	1. Income from civil administration	464,059
	2. Income from financial administration	1,017,749
	3. Income from judicial administration	1,305,004
	4. Income from educational administration	675,622
	5. Income from administration of industrial undertakings	141,350
	6. Interest on government shares	589,143
	7. Miscellaneous receipts	2, 734,767
IX.	Income received by offices of the Central Government	1,635,464
	1. The Ministry of Foreign Affairs	46,500
	2. The Ministry of Interior	51,827

3. The Ministry of Finance	$ 698,392	
4. The Ministry of Navy	7,416	
5. The Ministry of Justice	35,410	
6. The Ministry of Education	72,578	
7. The Ministry of Agriculture and Commerce	72,253	
8. The Ministry of Communications	555,080	
9. The Bureau of Engraving and Printing	96,028	
X. Income directly received by the Central Government	76,306,927	
1. Stamp tax	5,671,400	
2. License for sale of tobacco and wine	2,012,852	
3. Fees on examination of title-deeds	2,935,300	
4. Additional tax on title-deeds	4,115,297	
5. Additional tax on tobacco and wine	4,043,400	
6. Income from tobacco and wine monopoly	11,680,000	
7. Additional land tax	7,883,678	
8. Income tax	2,835,000	
9. Additional license (on wholesale agencies)	7,750,000	
10. Additional likin	6,110,000	
11. Additional tax on live stock and butchery	6,270,000	
12. Income from uniform land tax	15,000,000	
Total		$426,385,086

Extraordinary Revenue

I. Land Revenue	$1,580,695
1/Sale of land	145,109
2. Additional tax	18,889
3. Compulsory labor or its commutation	606,012
4. Reclamation	288,509
5. Miscellaneous	522,176
II. Customs Revenue	879,403
1. Maritime customs	793,907
2. Native customs duties collected through customs commissioners	36,272
3. Native customs	49,224
III. Taxes on Commodities	18,716
1. Fines	18,716
IV. Direct and Miscellaneous Taxes	4,496,333
1. Rice	80,000
2. Miscellaneous	4,416,333
V. Revenue from Government Properties and Enterprises	16,703
VI. Revenue from the Provinces	338,253
1. Fines	51,182
2. Refund of government funds	43,495
3. Public sales	14,075
4. Miscellaneous receipts	229,501
VII. Income received by offices of the Central Government	1,359,698
1. The Ministry of Education	300,654

2. The Ministry of Agriculture and Commerce		$1,013,844
3/ The Bureau of Engraving and Printing		45,200
VIII. Income directly received from the Central Government		17,051,808
1. Income from government properties		17,051,808
IX. Loans		20,000,000
1. Domestic loans		10,000,000
2. Industrial loans		10,000,000
Total	$45,741,609	
Grand total		$472,124,695

Ordinary Expenditure

1. The Ministry of Foreign Affairs	$3,276,677
1. The Ministry	664,440
2. Legations and consulates	1,856,940
3. Offices under its direct control	45,390
4. Bureau of foreign affairs in provinces	709,907
II. The Ministry of Interior	49,653,982
1. The Ministry	620,000
2. The Metropolitan Gendarmerie	1,156,044
3. Offices of the Manchu Imperial Body	118,952
4. Offices under the direct control of the Ministry	2,382,748
5. Public ceremonial functions	12,218

	6. Administrations of civil affairs in the provinces	$45,364,020
III.	The Ministry of Finance	53,531,625
	1.The President's Office	2,265,502
	2.The Political	1,287,461
	3. The Office of the Commander-in-Chief	423,696
	4. The Ministry of Finance	540,000
	5. Offices under its direct control	215,136
	6. Offices attached to the Ministry in Peking	2,639,512
	7. The Manchu Imperial Household	13,585,239
	8. Sub-offices	990,480
	9. Subsidies	13,000
	10. Tobacco and wine monopoly	1,181,700
	11. Salt Gabelle	8,090,502
	12. Customs offices	12,468,918
	13. Administration of finance in provinces	10,130,479
IV.	The Ministry of War	135,813,986
	1. The Ministry	781,653
	2. The General Staff	600,000
	3. Offices under the direct control of the Ministry	23,546,938
	4. Offices attached to the General Staff	774,763
	5. Other military offices	22,892,568
	6. Military forces in provinces	87,218,064
V.	The Ministry of Navy	17,101,779

1. The Ministry	$1,055,000
2. Offices under its direct control	15,502,612
3. Naval forces in provinces	546,167
VI. The Ministry of Justice	7,665,772
1. The Ministry	324,000
2. The Supreme Court	219,912
3. Offices under its direct control	742,764
4. Administration of justice in the provinces	6,379, 096
VII. The Ministry of Education	12,611, 585
1. The Ministry	420, 000
2. Educational institutions under its direct control	1,098,842
3. Branch offices	130,564
4. Government scholarships in foreign lands	238,092
5. Subsidies	329,200
6. Additional or supplementary expenses	1,500
7. Administration of education in provinces	10, 393,385
VIII. The Ministry of Agriculture and Commerce	3,762,244
1. The Ministry	600,000
2. The National River Conservancy Bureau	60,000
3. National Oil and Mining Administration	36,000
4. Offices under the direct control of the Ministry	513,977
5. Administration of agricultural and commercial affairs in the Provinces	2,552,267

X. The Ministry of Communications	$1,577,408
1. The Ministry	791,676
2. Educational expenses	375,311
3. Administration of communications in provinces	410,421
XI. The Department of Mongolia and Thibet	947,421
1. The Department	245,952
2. Offices under its direct control	41,976
3. Offices attached to the Department	659,302
Total	$285,942,286

Extraordinary Expenditure

I. The Ministry of Foreign Affairs	826,141
1. The Ministry	229,272
2. Legations and consulates	560,700
3. Offices under its direct control	1,110
4. Bureau of foreign affairs in provinces	35,059
II. The Ministry of Interior	2,105,864
1. The Ministry	10,000
2. The Metropolitan Gendarmerie	4,000
3. Offices under the direct control of the Ministry	300,000
4. The Administration of civil affairs in provinces	1,780,356
5. Preparation of classical music and dancing	11,508

The Ministry of Finance	$175,302,789
1. The Political Council	91,868
2. The Ministry	77,600
3. Offices under its direct control	40,000
4. Offices attached to the Ministry in Peking	31,448
5. Emergency fund	20,000,000
6. Bank shares	10,000,000
7. Currency	5,000,000
8. Government properties	1,705,180
9. Salt administration	500,000
10. Maritime and native customs	24,357
11. Redemption of national loans	137,683,527
12. Administration of finance in provinces	50,981
13. Rent allowance for High Financial Commissioner while residing abroad and subsidy to the paper factory	87,828
IV. The Ministry of War	6,438,727
1. The Ministry	64,320
2. The General Staff	93,500
3. Offices attached to the General Staff	362,381
4. Other military expenses	3,342,828
5. Military forces in provinces	2,575,698
V. The Ministry of Navy	102,758
1. Naval forces in provinces	102,758

VI.	The Ministry of Justice	$ 45,572
	1. The Ministry	20,000
	2. The Supreme Court	10,000
	3. Offices under its direct control	10,000
	4. Administration of justice in the provinces	5, 572
VII.	The Ministry of Education	225,724
	1. Educational institutions under its direct control	90,000
	2. Branch offices	1,000
	3. Administration of education in the provinces	134,724
VIII.	The Ministry of Agriculture and Commerce	376,792
	1. The Ministry	20,000
	2. Offices under its direct control	70,000
	3. Offices attached to the Ministry	80,000
	4. Administration of agricultural and commercial affairs in provinces	176,792
	5. Central and branch trade mark offices	30,000
IX.	The Ministry of Communications	112 ,783
	1. The Ministry	93,382
	2. Educational expenses	16,311
	3. Administration of communications in provinces	3,090

X. The Department of Mongolia and Thibet	$40,000	
1. The Department	40,000	
Total		$185,577,150
Grand total		$471,519,436

B. Actual and Possible Receipts.*

Having dwelt on the estimated revenue and expenditure in a general way, we shall now proceed with the actual and possible receipts classified under the following heads:-

1. Land Tax.

According to the budget of 1918, the income from land was estimated at $75,700,000. The actual receipt of 1916 was $81,9000,000: and this did not include the collections of Fengtien and Kirin, because no reports were made. It is therefore felt that the annual income from land taxes may be placed at $82,000,000. The following table gives the actual receipts from land in recent years.

* The total amount of revenue which can be collected annually is $370,000,000.

TABLE 11

...tual Receipts from Land Revenue in the Provinces for 1915-16.

Provinces	4th year (1915)	5th year (1916)	Remarks
Metropolitan District	$420,260	$462,830	
Chili	$5,916,746	$5,567,708	
Fengtien	$1,462,835*	$2,541,959	*Being receipts for the first half year.
Kirin	$652,706*	$925,055	*Being receipts from May to December inclusive; those from Jan. to April not reported.
Heilungkiang	$436,706	$514,998	
Shantung	$9,986,571	$9,422,822	
Honan	$5,141,775	$5,697,985	
Shansi	$4,688,387	$6,316,167	
Shensi	$2,970,616	$3,122,679	
Kansu	$1,098,171	$1,647,731	
Sinkiang	$786,806	$705,551	
Kiangsu	$8,151,387	$9,978,309	
Anhui	$3,588,766	$5,166,207	
Chekiang	$7,325,382	$7,403,338	
Kiangsi	$5,152,944	$4,871,694	

	$3,514,247	$3,824,122	
[illegible]an	$5,147,722	$2,282,815	
Fukien	$2,898,796	$2,584,328	
Yunnan	$846,846	$944,815	
Kweichow	$606,609	$631,754	
Szechuen	$5,255,327	$6,866,911	Being receipts only for the second half year.
Kwangtung	$2,055,811	$1,201,866	
Kwangsi	$1,271,578	$1,248,000	
Szechuen Border	$10,292	$56,404	Being receipts from Jan.to Sep.inclusive those for later months not reported.
Suiyuan & Kweihua	$113,764	$86,599	
Charhar	$203,565	$144,389	
Jehol	$71,329	$120,587	
Total	$75,775,942	$81,927,041	

B. Salt Tax.

The actual receipts from salt were $73,600,000 for 1914; $78,100,000 for 1915; $80,400,000 for 1916; $82,700,000 for 1917; and $80,200,000 for 1918. Based on these records, it is felt that the annual revenue from salt may be placed at $82,000,000. The following table gives the actual receipts from salt in recent years.

Table VI

Actual Receipts from Salt Administration in Recent Years

Salt Offices	Year				
	3rd Year	4th Year	5th Year	6th Year	7th Year
Changlu Salt Commissioner	$12,698,911	$12,672,883	$12,466,895	$11,230,715	$15,377,[illegible]
Three Eastern Provinces Salt Commissioner	5,917,643	5,020,553	5,239,481	6,591,327	5,121,066
Shantung Salt Commissioner	4,185,218	2,965,301	2,611,656	3,073,287	2,855,961
Hotung Salt Commissioner	2,160,519	3,882,024	2,271,531	3,683,025	3,918,308
Linghai Liung-hwai Salt Commr.	2,846,304	6,856,206	6,851,859	5,166,620	5,928,105
Liangchek Salt Commr.	3,378,389	2,969,544	3,231,429	3,498,713	3,807,344
Liangkwan Salt Commr.	7,020,563	7,168,250	6,033,837	7,390,067	7,091,900
Fukien Salt Commissioner	1,681,189	1,874,240	1,450,859	2,182,498	955,978
Szechuen Salt Commissioner	8,783,218	7,389,084	8,532,825	8,171,191	8,774,747
Yunnan Salt Commissioner	2,049,079	3,188,611	2,970,457	3,698,583	2,533,100
Haipeh Vice Salt Commissioner	2,411,961	3,492,377	6,405,085	4,581,659	5,801,854
Sungkiang Vice Salt Commr.	841,056	1,288,282	1,297,644	1,825,060	2,226,535
Chiaochao Vice Salt Commr.	Col. by Liangkwan	Col. by Liangkwan	$1823,809	1,176,896	891,100
Chuenpeh Vice Salt Commissioner	Col. by Szechuen	679,040	1,880,369	1,822,830	1,619,805

Salt Offices	3rd Year	4th Year	5th Year	6th Year	
Hupeh Transportation Office	$3,083,881	$3,620,865	$3,250,819	$2,920,933	
Hunan Transportation Office	6,262,441	4,684,6 8, 4,584,680	5,198,204	5,902,020	1,0
Kiangsi Transp.Off.	3,182,441	3,088,402	2,811,197	2,480,701	2,8
Anhui Transp. Off.	2,352,514	1,895,849	2,097,012	2,182,834	2,221,445
Ichang Transp. Off.	2,535,157	2,873,973	2,436,142	2,592,577	1,825,221
Shansi Transportation xOffice & Sales Office	142,303	148,918	117,913	118,707	68,682
Kalgan Mongolian Salt Office	114,202	373,286	584,233	490,222	670,819
Shansi Transp. Office	204,889	290,635	284,200	315,284	280,833
Kwansi Transp. Office	38,543	883,875	1,089,503	1,231,257	1,388,145
Huading Transp.Office	300,817	250,815	481,848	396,277	70,989
Chusi Examination Off.	8,171	1,153			
Shensi Bureau of Finance	411,464	34,903	Collected by Hutung		
Kweichow Transp.Office	1,149,019	548,444			
Total	73,639,791	78,120,183	80,459,007	82,704,687	80,287,388

N.B. The above figures are compiled from the monthly reports of the offices concerned and where such documents are not available, the figures are taken either from their telegraphic reports or from reports to the Chief Auditor's office such as the figures on Yunnam, Liangkwang, and Chinchsho. Where the actual receipts for the 7th year (1918) are wanting, the spaces are left vacant.

5. Customs Duties.

There are two kinds of customs duties:- the maritime and the native. The revenue from maritime customs for the last six years was as follows:- 1912, Tls. 39,950,000; 1913, Tls. 42,960,000; 1914, Tls. 38,910,000; 1915, Tls. 36,740,000; 1916, Tls. 37,760,000; 1917, Tls. 38,180,000. Now the world war has ended, and commercial activity will once more assert itself. We feel confident that the maritime customs revenue will at least reach the figure obtained in 1913: and if on the operation of the new tariff, a prospective increase of five to six millions is added, the annual income from the maritime customs may amount to $75,000,000.

The native customs, for the same period, furnished the following figures:- 1913, $5,680,000; 1914, $6,820,000; 1915, $7,420,000; 1916, $7,160,000; 1917, $6,600,000. Judging from these records, this source of revenue may yield an annual income of $7,000,000. Therefore the joint income from the two kinds of customs may annually be placed at $80,000,000. The following table gives the actual receipts of the two customs in recent years.

TABLE VII

Customs Revenue in the Recent Years.

Kinds of duties	Years 1912	1913	1914	1915	1916	[illegible]
	Taels	Taels	Taels	Taels	Taels	Taels
Import	16,045,202	19,938,880	18,202,741	14,387,291	[illegible]	[illegible]
Export	13,909,148	13,946,315	13,047,670	15,439,709	16,542,614	[illegible]
Re-imported	2,334,927	2,439,188	2,285,710	2,517,715	2,289,406	[illegible]
Tonnage dues	1,371,614	1,534,878	1,491,949	1,194,929	1,122,890	[illegible]
Transit(Import)	1,312,271	1,668,395	1,736,615	1,519,507	1,341,948	[illegible]
Dues (Export)	653,333	621,106	584,078	769,433	815,253	711,209
Likin on Opium	4,424,117	3,819,133	1,598,213	939,184	287,064	[illegible]
Total	39,950,612	43,968,895	36,917,570	36,747,706	37,764,311	[illegible]

Notes:

1. The figures in the preceding table are in terms of taels.
2. The figures are taken from the customs reports.
3. We do not include the figures for the year 1918 on the ground that the Customs Reports of that year are incomplete giving us only the receipts from January to September which amount to Tls. [illegible].

Table VIII

Actual Receipts of Native Customs in Recent Years.

Stations	1913	1914	1915	1916	1917
Tientsin	$119,988	$ 84,591	$84,769	$78,247	$80,508
Shanghai	242,919	258,364	204,603	245,594	270,650
Tunghai	176,955	263,088	260,296	241,961	214,921
Foochow	97,512	118,064	150,131	149,127	119,529
Ningpo	49,124	61,022	99,689	105,456	96,394
Wenchow	12,499	18,185	21,541	20,340	19,100
Canton	246,608	239,250	213,562	177,772	179,925
Kiungchow	78,142	120,395	103,360	96,904	69,122
Chaochow	172,381	137,888	135,234	143,415	98,206
Shanhaikwan	398,860	486,055	519,444	583,131	534,791
Amoy	105,278	114,808	125,007	117,160	109,481
Yangyou	171,781	208,914	245,377	162,465	177,498
Kinchow	104,629	158,576	151,167	91,080	97,119
Wuhu	89,654	165,359	191,771	179,255	194,036
Wuchang	131,499	161,944	176,725	177,254	159,286

Stations	1913	1914	1915	1916	1917
Sintai	$217,595	$367,675	$465,806	$461,526	$
Kanchow	52,511	107,558	90,088	106,194	89,278
Kweichow(Szechuen)	141,212	213,409	220,035	225,570	22,987
Kuaisa	152,940.	126,751	182,612	168,067	328,252
Fengyang	323,038	321,355	493,983	324,469	396,451
Lingtsing	150,077	328,653	356,755	176,770	129,282
Taiping	148,738	204,294	164,990	180,308	156,459
Kalgan	118,833	149,309	222,049	237,036	175,245
Shahukow	230,036	346,098	298,938	259,820	238,039
Supeh	306,459	406,707	370,938	384,569	452,969
Peking Octroi	977,849	969,838	959,066	1,515,815	1,190,028
Hatamen Octroi	146,629	151,027	265,087		
Shenchow	150,200	152,337	158,868	201,716	199,351
Paoching	31,069	30,608	29,852	26,448	13,404
Tsingchow	114,642	93,886	126,236	93,783	104,701
Tungkwan	77,337	84,542	110,991	179,461	114,345
Chengtu	42,180	37,486	58,801	135,840	46,755
Yungning		27,706			

Stations	1913	1914	1915	1916	1917
Kwanyuan		$11,238			
Kingyuen	$34,188	38,610	$24,593	$32,581	
Tatsienlu	26,517	20,278	25,015	13,518	$12,456
Yachow	43,567	30,204	31,597		
Tolu			93,093	99,178	95,272
Total	$5,683,246	$6,828,544	$7,427,537	$7,169,588	$6,601,007

Notes:- On account of local disorder, no reports regarding revenue were received from Chaochow for April, May and June 1916; from Kweichow (Szechuen) since October, 1917; and from Chengtu since January, 1918.

4 Tax on Commodities

The receipts from this source of revenue run as follow:- 1915, $25,700,000; 1916, $29,400,000; and 1917, $25,700,000. In 1915, no reports were received from the provinces of Kirin and Heilungkiang; and in 1917, from Yunnan and Szechuen. It is estimated that $30,000,000 may be realised from this source of income annually. The following table gives the amounts collected in recent years.

Table IX

Revenue from Taxes on Commodities in the Provinces for 1915,1916 a

Year / Province	1915	1916	1917	
Metropolitan District	$ 48,151	$ 49,555	$ 48,087	Being receipts from railways.
Chihli	720,485	681,295	461,152	
Fengtien	4,662,355	4,169,735	4,588,675	
Kirin		1,267,087	1,198,666	No report of receipts for 1915
Heilungkiang		557,087	524,241	No report of receipts for 1915
Shantung	224,261	227,888	187,105	
Honan	285,403	615,555	661,710	1915 receipts include only the months from July to December
Shansi	677,188	625,504	597,578	
Shensi	1,180,247	983,711	825,302	
Kansu	1,072,966	995,806	994,738	
Singkiang	179,889	391,079	273,801	1915 receipts were only from July to December; and 1917 from Jan. to Sep. inclusive
Kiangsu	5,957,565	5,791,113	5,891,087	
Anhui	1,522,152	1,550,412	1,505,907	
Chekiang		4,225,000	4,246,798	Receipts for 1915 not reported

Year Provinces	1915	1916	1917	Remarks
Kiangsi	$ 3,167,456	$ 2,651,956	$ 2,615,684	
Hupeh	4,215,839	5,049,819	4,402,781	
Honan	2,991,975	2,598,722	2,805,004	
Fukien	1,286,390	1,238,737	1,201,916	
Yunnan		398,000		Receipts from 1915 and 1917 not reported.
Kweichow	665,915	525,561	617,204	
Szechuen	338,827	656,987	345,819	1917 receipts were only from January to June.
Kwangtung	3,045,788	2,565,565	803,012	1917 receipts were only from January to March
Kwangsi	1,175,152	982,784	251,095	1917 receipts were only from January to March
Szechuen Border	10,353	11,857		no report of receipts for 1917.
Kwei-Sui		173,162	197,808	1915 receipts not reported
Charhar	221,818	250,894	213,917	
Jehol	301,725	319,621	294,891	
Total	$35,749,714	$39,442,429	$35,753,895	

b. Income directly received by the Central Government.

In this category, are included the following:- special taxes, stamp duties, income of government monopoly of tobacco and wine and income of government properties. Under the head of special taxes we have the license tax for the sale of tobacco and wine, tax and duty on tobacco and wine, tax mining, and additional taxes on title-deeds, and licenses for wholesale agencies. The latest estimates from this source of income are as follows:- special taxes, $16,320,000; stamp duties; $6,320,000; government monopoly of tobacco and wine $12,130,000; government properties $11,470,000; total $46,400,000. This represents the annual amount which the Central Government expects to derive from this source of revenue. The following table gives the details:-

Table X

Latest Estimate of Income directly
(From July 1st 1918 to

Provinces	Special Revenue of Central Government				A
	Tob. & Wine License	Tob. & Wine Tax	Tob. & Wine Add. Tax	Mining Tax	
Metropolitan District	$ 56,000	$		$ 12,000	
Chihli	150,000	421,708	$200,000	128,292	
Fengtien	89,000	188,000		15,000	
Kirin	50,000		200,000	12,142	
Heilungkiang	40,000	170,000			
Shangtung	80,000	572,406	171,700	55,295	
Honan	50,000	220,000		5,715	
Shansi	40,400	122,979	256,000	5,790	
Kiangsu	125,000	100,000	353,400	6,800	
Anhui	30,000	120,079	104,400	2,000	
Kiangsi	80,000	103,880	216,600	26,018	
Fukien	40,000	420,000	50,000		
Chekiang	200,000	640,000	600,000		
Hupeh	125,000	469,716			
Hunan	80,000	60,000	180,000	55,474	
Shensi	100,000	80,000	120,000	854	
Kansu	5,000	115,000			
Sinkiang	10,000	4,316			

...ived by Central Government.

...e 30th 1919)

...s Tax on ...ile-deeds	Add. Tax on Wholesale Licenses	Stamp Duties	Monopoly of Pob. & Wine	Government property
...30,000	$20,000	$200,000	$500,000	$ 568,538
		250,000	750,000	295,701
		250,000	500,000	2,746,351
		240,000	500,000	905,760
		240,000	192,000	182,052
254,865	205,744	250,000	510,000	149,000
748,056	151,315	300,000	600,000	159,373
238,500	65,210	200,000	501,000	154,055
300,000	251,257	300,000	800,000	858,923
238,200	150,000	200,000	480,000	86,244
213,744	111,736	200,000	500,000	282,317
210,000		250,000	500,000	147,368
		400,000	1400,000	446,400
255,284	100,000	300,000	700,000	257,904
		200,000	280,000	144,560
150,000	20,000	120,000	400,000	171,032
		120,000	300,000	119,757
50,000		100,000		80,000

Provinces	Special Revenue of Central Government			
	Tob. & Wine Licenses	Tob. & Wine Tax	Tob. & Wine Add. Tax	Mining Tax
Szechuan	$ 30,000	$ 459,250	$ 550,000	$ 15,865
Kwangtung	310,000	1,088,500	440,000	11,500
Kwangsi	200,000			6,103
Yunnan	75,000	60,480	30,400	464,279
Kweichow	50,000	51,215	28,000	11,705
Jehol	3,000	26,345	3,000	48,055
Suiyuan	10,000		10,000	
Chahar	7,800		12,000	1,198
Szechuan Border	552		1,000	12,729
Offices controlled by Fin. Minis.				
Kiayin Gov't Prep. Sales Office				
Hunainan Reclam. Office				
Kiangpei Wheitanyin Reclam Bureau				
Jehol Hunting Reserve Reclam Office				
Jehol Hunting Reserve Forestry Bureau				
Total	$2,038,852	$5,673,981	$5,506,300	$876,802

[illegible]	Add. Tax on Wholesale License	Stamp Duties	Monopoly of Tob. & Wine	Government Property
		$ 550,000	$1,200,000	$276,302
		1,100,000	500,000	778,521
		300,000	500,000	3,600
		60,000	200,000	122,545
$100,000	$ 3,000	30,000		251,462
		20,000	400,000	256,420
9,000	1,150	20,000		175,706
24,000	1,700	20,000	121,986	444,496
		5,000		55,602
		280,000		
				235,091
				369,286
				455,658
				186,203
				49,528
$5,185,165	$1,096,472	$6,525,000	$12,154,986	$11,471,534

Notes: In Suiyuan the income of government properties represents the receipts from reclamation.
The sum of $121,000 represents the joint income of the tobacco and wine monopoly in Chahar and Suiyuan, and the income of government properties in Chahar is that of reclamation.

6. Direct and Miscellaneous Taxes

The principal taxes in this category are the taxes on licenses of wholesale agencies, pawnshop, title-deeds, shops and stores, timber-growing and parcels. The latest estimate of income based on receipts of previous years is placed at $21,600,000. The following table gives the details.

Table XI

Latest Estimate of Revenue from Direct and Miscellaneous Taxes from the Provinces.
(From July 1st 1918 to June 30th 1919)

Province	Ordinary	Extraordinary	Remarks
Metropolitan District	$ 556,254		
Chihli	1,736,971		
Fengtien	2,147,892		
Kirin	1,245,595		
Heilungkiang	328,152		
Shantung	515,744		
Honan	1,879,660		
Shansi	730,435		
Kiangsu	587,257		
Anhui	1,303,461		
Kiangsi	783,653		
Fukien	1,121,531		
Chekiang	855,000		
Hupeh	1,957,050		
Hunan	654,990		
Shensi	71,781		
Kansu	448,595		
Singkiang	241,976		
Szechuan	2,713,541		

Province	Ordinary	Extraordinary	Remarks
Kwangtung	$ 2,072,809		
Kwangsi	272,782		
Yunnan	93,169		
Kweichow	111,978		
Jehol	35,965		
Suiyuan	57,907		
Chahar	42,822		
Szechuan Border	245,045		
Altai	3,400		
Total	$21,639,815		

7. Direct and Miscellaneous Additional Taxes, etc.

There are three kinds of receipts under this head, namely, direct and miscellaneous additional taxes, income of government enterprises, and miscellaneous receipts. According to the latest estimate, the first may annually yield an income of $9,200,000; the second, $1,950,000; and the third, $5,520,000; total $16,600,000. Based on previous receipts, the estimate is fairly accurate; hence the amount which the Government expects to raise from this source of revenue. The following table gives the details.

Table XII

Latest Estimate of Direct and Miscellaneous Additional Taxes, from Government Properties, and Miscellaneous Receipts.

(From July 1st 1918 to June 30th 1919)

Revenue / Province	Direct and Miscellaneous taxes		Income from government properties		Miscellaneous receipts	
	Ordinary	Extraordinary	Ordinary	Extraordinary	Ordinary	Extra-Ordinary
Metropolitan District	$30,000		$ 400	$	$150,000	
Chihli	145,487		206,067		324,881	$6,450
Fengtien	188,602		216,700	$16,662	2,155,902	58,484
Kirin	1,456				375,180	
Heilungkiang	21,262		1062,579		417	4,939
Shantung	2,000		1,814		214,262	1,500
Honan	7,664		10,150		145,089	
Shansi					165,978	
Kiangsu			64,618		54,000	
Anhui					51,529	17
Kiangsi	20,000		300		262,350	3,505
Fukien					290,974	240,000

Revenue	Direct and Miscellaneous taxes		Income from Govt. owned properties		Miscellaneous receipts	
Province	Ordinary	Extraordinary	Ordinary	Extraordinary	Ordinary	Extraordinary
Chekiang	$2,209,286				$308,845	
					31,250	$3,214
Hupeh	445,540				212,396	5,660
			$86,050			
Hunan					56,545	
Shensi					48,357	
			63,113			
Kansu	132,000				77,866	
			34,179			
Kiangsi					2,400	3,333
			31,598			
Szechuen					105,960	30,000
Kwangtung	447,285	$3,931,200				
Kwangsi	25,385	1,300,000			3,896	1,560
			159,944			
Yunnan						4,720
Kweichow					75,089	
			6,751			
Jehol	16,278				10,546	
			4,284			
Suiyuan	275,466				81,355	
Charhar						
Szechuen Border	11,151				3,289	
					510	
Altai						

Revenue	Direct and six miscellaneous taxes		Income from government properties		Miscellaneous receipts	
	Ordinary	Extra-ordinary	Ordinary	Extra-ordinary	Ordinary	Extraordinary
Total	$5,974,864	$5,231,200	$1,948,526	$16,662	$5,161,566	$360,442

Grand total $16,693,260.

B. Receipts of the Central Government Offices, etc.

Two items come under this head; the receipts of the different ministries and bureaux, and the proceeds of the Boxer Indemnity. According to the latest estimate, the income from the first is placed at $3,770,000; and that from the second the indemnity refunded by the United States for the maintenance of Tsing Hua College and its Educational Mission at $1,500,000. An annual income of $5,000,000. is expected from this source. The following table gives the details.

Table XIII

Latest Estimate of Income of Different Ministries and Offices in Peking
(From July 1st 1918 to June 30th 1919)

Ministry	Ordinary	Extraordinary	Total
Foreign Affairs	$ 57,478	$ 2,004,756	$ 2,062,234
Interior	67,758	816	68,574
Finance	452,657		452,657
Navy	7,416		7,416
Education	78,589	242,865	321,454
Justice	35,441		35,441
Agriculture and Commerce	120,000		120,000
Communications	555,080		555,080
Bureau of Engraving and Printing	108,000	46,000	154,000
Refunded Boxer Indemnity*		1,580,392	1,580,392
Total	$1,482,419	$3,874,829	$5,357,248

* This income has been pledged for the support of Tsing Hua College and its Education Mission to the United States.

C. Actual Expenditure.

1. Payment of National Debts.

On account of the payment of the Boxer indemnities being postponed, and the low rate of exchange of gold, the expenditure under this head for 1918 was less than usual, only amounting to $112,750,000. Out of this sum, $66,820,000 were paid for foreign loans, and $45,930,000, for domestic loans. Judging from previous records, it is felt that the annual provision for this purpose will have to be increased, as the price of sterling at present is extraordinarily low, and its probable rise must be guarded against. The annual amount that will be required for meeting national indebtedness will therefore have to be increased to $120,000,000. The following tables give the list of domestic and foreign loans including the payment of principal and interest and also the long terms foreign loans.

Table XIV.

Domestic and Foreign Loans, including Payment of Principal and Interest.

(From July 1st 1918 to June 30th 1919)

(1) Foreign Loans	$71,001,606
Anglo-German Loan contracted by the late Ching Government	7,735,616
Supplementary Anglo-German Loan contracted by the late Ching Government	6,681,856
Russo-French Loan contracted by the late Ching Government	6,346,426
The Crisp Loan contracted by the Central Government	2,005,000
The Reorganization Loan contracted by the Central Government	10,025,000
The Banque Industrielle Loan by the Central Government	1,503,750
The British Chinese Corporation Loan by the Central Government	180,450
Advances by Banque Industrielle de Chine to Central Government on account of Ching-Yu Railway	2,025,276
The Shinya Corporation Loan by the Central Government	240,000
The Chicago Bank Loan by the Central Government	482,400
The Telegraph Loan	960,000
Advances on account of Kirin-Weining Railway	560,000
The Forest Loan	1,800,000

...s for Manchurian and Mongolian Railway	$640,000
Advances for Tsi-Shun-Kao-Hsu Railway	640,000
Advances of Second Reorganization Loan	1,280,000
The Payment of indemnity to Spain	8,285
The Payment of indemnity to Holland	55,497
The payment of indemnity to Sweden	34,176
The payment of indemnity to Russia	5,546,395
Miscellaneous Expenses in connection with payment of indemnities	9,772
Debts of Ministry of Navy to Sir Armstrong Whitworth & Co. for supply of guns, secured by Government Treasury Bill	782,000
Debt of Ministry of Navy to Kawasaki Shipyard for supply of Guns, secured by Government Treasury Bill	806,537
Debt of Ministry of War to Mitsui Bussan Kai-Sha for supply of guns, secured by Government Treasury Bill	668,962
Debt of Ministry of War to Taihei Komi Co. for supply of guns and munitions, secured by Government Treasury Bill	468,732
Debt of the Ministry of War to Russo-Asiatic Bank for payment of Lunghua Tannery, secured by Government Treasury Bill	528,941
Debt of the Ministry of Foreign Affairs to Syndicate du Yunnan secured by Government Treasury Bill	478,894
Debt of Ministry of Education to Russo-Asiatic Bank secured by Government Treasury Bill	135,759
Debt of Ministry of Education to Banque Industrielle de Chine	87,600
Debt of Ministry of Education to Banque Sino-Belge for advances in sterling	165,405

Ministry of Education to Yokohama Specie Bank	$ 82,800
Debt of Ministry of Agriculture and Commerce to Banque Industrielle de Chine	157,525
Debt of Ministry of Education to Mitsui Bishi Kaisha	82,800
Debt of Ministry of Finance to Mitsui Bussan Kaisha for loan contracted by the Nanking Provisional Government	933,025
Debt of Ministry of Finance to Standard Oil Co. secured by Government Treasury Bill	282,726
Debt of Ministry of Finance to Banque Sino-Belge secure by Government Treasury Bill	592,651
Debt of Ministry of Finance to Sino-Japanese Industrial Company	1,667,200
Debt of Ministry of Finance to Lee Higginson & Co.	995,676
Debt of Ministry of Agriculture and Commerce to Samuel & Co.	34,708
Debt of Ministry of Finance to Russo-Asiatic Bank	298,700
Debt of Ministry of Finance to the Industrial Bank of Japan and Hsien Hien Bank	4,140,000
Debt of Ministry of Finance to Mitsui Bussan Kaisha & Co.	64,000
Debt of Ministry of Finance to the Exchange Bank	414,000
Debt of Ministry of Finance to the Septuple Banking Group	383,500
Debt of Ministry of Finance to the Quadruple Banking Group	849,400
Debt of Ministry of Finance to Banque Industrielle de Chine on account of Ching-Yu Railway	3,304,995

	Ministry of Finance to Banque Industrielle de Chine for interest on Pukow Loan secured by Government Treasury Bill	$309,602
	Debt of Ministry of Finance to Banque Industrielle de Chine for advances against Promissory notes issued by the Commercial Guarantee Bank of Chihli	745,909
	Debt of Ministry of Finance to Okura Co. for advances against promissory notes issued by the Commercial Guarantee Bank of Chihli	645,765
	Debt of Ministry of Finance to the Russo-Asiatic Bank for advances against promissory notes issued by the Commercial Guarantee Bank of Chihli	412,189
	Debt of Ministry of Finance to Exchange Bank	960,000
	Debt of Ministry of Education to the Russo-Asiatic Bank	290,000
	Debt of Ministry of Navy to Ansaldo Works	240,000
(2)	Domestic Loans	45,939,159
	Debt of Ministry of Finance to the Bank of Communications for handling the Lunghai Railway Loan	225,000
	Commercial deposits and shares of the former Ta-Ching Bank	91,424
	Government Treasury Bill issued to former Resident-General at Altai	37,970
	Government Treasury Bill issued to the Far Eastern News Agency	84,800
	Government Treasury Bill issued to the Bank of Territorial Development	120,000
	Government Treasury Bill issued for construction in the President's office	80,446

...ment Treasury Bill issued for advances made to the former Bureau of Merit-Investigation	$8,067
Debt of Ministry of War to the Transportation Bureau at military headquarters, Hankow secured by Government Treasury Bill	20,000
Debt of Ministry of War to the First Division secured by Government Treasury Bill	100,000
Debt of Ministry of War to Chang Tsung Chang secured by Government Treasury Bill	100,000
Debt of Ministry of Navy to Kiangnan Dock secured by Government Treasury Bill	300,000
Debt of Ministry of Navy to Kailan Mining & Co. secured by Government Treasury Bill	106,766
Debt of Ministry of Navy to Kailan Mining & Co. secured by Government Treasury Bill	190,450
Debt of Ministry of Navy to Kiangnan Dock secured by Government Treasury Bill	127,812
Debt of Ministry of Finance to Temples in Peking and Jehol, secured by Government Treasury Bill	34,568
Debt of Ministry of Finance to Mongolian Princes secured by Government Treasury Bill	83,787
Redemption of 8% Military Bonds	1,969,692
Redemption of Patriotic Bonds	379,308
Redemption of 1st year 6% Bonds	1,563,811
Redemption of 3rd year Domestic Bonds	4,026,637
Redemption of 4th year Domestic Bonds	9,196,765
Redemption of 5th year Domestic Bonds	5,543,836
Redemption of 7th year Domestic Bonds	16,848,000
Redemption of 7th year 6% Bonds	2,700,000
Total	$114,040,765

Name	Amount	Agent	Issuing Price	rate of Interest	Securities
Russo-French Loan	Frs.400,000,000	Russo French Bank	94 1/8	4%	Customs
British German Loan	£ 16,000,000	British German Banking Corp.	94	5%	Customs
British German Loan	£ 16,000,000	British German Banking Corp.	93	4.5%	Customs & Likin of 7 Places
Boxer Indemnities	Hk.Tls.450,000,000			4%	Customs & Salt
Arnhold, Karberg 1st Loan	£ 300,000	Skoda Werke Rep. by Arnhold Karberg	95	6%	Peking Octroi
Arnhold, Karberg Second Loan	£ 450,000	Austrian Syndicate Rep. by Arnhold, Karberg	95	6%	Peking Octroi
The Crisp Loan	£10,000,000 actually paid over £5,000,000	C. Birch Crisp & Company	89	5%	Salt
Reorganization Loan	£25,000,000	Quintuple Banking Group	84	5%	Salt
Arnhold, Karberg 3rd Loan	£300,000	Skoda Werke Rep. by Arnhold, Karberg	95	6%	Taxes on Title Deeds

Foreign Loans Including Boxer Indemnities balanced up to January 10th,1919.

Amount	Payment of Principal & Interest	Term of years	First payment of principal	Last Payment of principal	Re
	Principal 30 days before July 1st. Interest 30 days before 1st January & July	36	July 1, 1896	July 1, 1931	Fre
	Principal 20th of every month. Interest 20th of every month	36	April 20,1896	March 20,1932	
	Principal 5th of every month. Interest 5th of every month	45	March 5, 1898	Feb. 5, 1943	
	Principal end of every month. Interest end of every month	40	Jan.31, 1902	Dec. 31, 1940	
	Principal 14 days before December 31, Interest 14 days before June 30th and December 31st	5	Dec. 31, 1915	Dec. 31, 1916	
	Principal 14 days before December 31st, Interest 14 days before June 30th and December 31st.	10	Dec. 31, 1915	Dec. 31, 1921	
	Principal and Interest 12 days before end of March and September	40	March 31,1922	Sept. 30, 1952	£5,(
	Principal and Interest 14 days before end of every month	47	Jan. 31, 1924	Dec. 31, 1952	£25,
	Principal 14 days before December 31, Interest 14 days before June 30th and December 31st.	5	Dec. 31, 1915	Dec. 31, 1917	£

[illegible] to date	Commission	Remarks
[illegible] £11,245,899		
£ 9,205,221		
£ 12,130,257 18s. 4d.	25/1000	
Mk. Tls. 11,060,789,523		
£ 60,000		Last Instalment of Principal amounting to £60,000 became due December 1916, but not paid
£360,000		£60,000 became due in December 1916, but not paid. Outstanding amount is £360,000.
[illegible],000,000	25/1000	
[illegible],000,000	25/1000	
[illegible]200,000		£100,000 became due December 1918, but not paid. Outstanding amount is £200,000.

Name	Amount	Agent	Issuing Price	Rate of Interest	Commission
First Austrian Loan	£1,200,000	Austrian Capitalists Rep. by Arnhold, Karberg	92	6%	
Second Austrian Loan	£2,000,000	Austrian Banking Group	92	6%	
Third Austrian Loan	£ 500,000	Austrian Banking Group	92	6%	
Austrian Extension	£1,233,000	Austrian Banking Group		6%	
Chinese-British Corporation Loan	£ 375,000	Chinese British Corp.	91	6%	25/1000
Banque Industriele Loan	Frs. 150,000,000 actually delivered Frs. 32,115,500	Banque Industrielle	82	5%	25/1000
Shingyu Loans	Y5,000,000	Shinya Company	94	6%	
Chingyu	Frs. 100,000,000 actually delivered Frs 32,115,500	Banque Industrielle	89.25	5%	

Securities	Annual Payment of Principal and Interest	Term of Years	First Payment of Principal	Last Payment of Principal
Taxes on Title Deeds	Principal 14 days before December 31st, Interest 14 days before June 30th and December 31st.	5	December 31, 1915	December 31, 1917
Taxes on Title Deeds	Principal 14 days before December 31st, Interest 14 days before June 30th and December 31st.	5	December 31, 1915	December 31, 1917
Taxes on Title Deeds	Principal 14 days before December 31st, Interest 14 days before June 30th and December 31st.	4	December 31, 1915	December 31, 1917
Taxes on Title Deeds	Principal 14 days before December 31st, Interest 14 days before June 30th and December 31st.	6	December 31, 1916	December 31, 1920
Profits of Peking-Mukden Railway.	Principal 14 days before February 20th, Interest 14 days before February 20th and August 20th	20	February 20, 1924	February 20, 1934
Profits of new industrial enterprises. Shortage to be made up by Kiangsi Wine taxes.	Principal 14 days before March 1st and September 1st, Interest 14 days before March 1st and September 1st.	50	March 1, 1929	September 1, 1963
	Principal September 9th. Interest March 9th and September 9th	3	September 9, 1919.	
Government Treasure Bills	Principal May 1st. Interest May 1st and November 1st.	5	May 1, 1915	May 1919 May 1921

Balance to date	Remarks
£ [illegible],000	£400,000 became due December 1916, but not paid. Outstanding amount is £800,000.
£1,[illegible],500	£667,000 became due December 1916, but not paid. Outstanding amount is £1,333,500.
£ [illegible],500	£166,500 became due December 1916, but not paid. Outstanding amount is £333,500.
£1,[illegible],000	When first instalment of three Austrian loans became due December 1915, postponement for such repayment was arranged on a five year basis and first instalment of one fifth was to be paid in December 1916, but was not done. Hence whole amount still stands.
£ 375,000	
Frs. 100,000,000	
Y 5,000,000	This sum represents advances which were overdue and by special arrangement, payment was postponed.
Frs. 6,423,100	This sum represents the amount
Frs.10,416,666,674	of advances yet to be paid.

Name	Amount	Agent	Issuing price	Rate of Interest	Commission
Chicago Bank Loan	$5,000,000	Chicago Bank	91	6%	5/1000
Japanese Banking Group	Three loans amounting to Y 30,000,000	Yokohama Specie Bank		7%	1/100
Telegraph Loan	Y 20,000,000	Exchange Bank		8%	
Kiwei Railway Loan	Y 10,000,000	Exchange Bank		7.5%	
Mining & Forestry Loan	Y 30,000,000	Exchange Bank		7.5%	
Manchurian & Mongolian Railway Loan	Y 20,000,000	Shinyih Taiwan & Chosen Banks		8%	
Tsi-Shun-Kao Rsu Rly Loan	Y20,000,000	Shinyih Taiwan & Chosen Banks		8%	
Total					

Securities	Annual Payment of Principal and Interest	Term of years	First Payment of Principal	Last Payment of Principal
Proceeds of Wuhu Tobacco Monopoly	Principal 10 days before November 1st. Interest 10 days before May 1st and November 1st.	3	November 1, 1919	
Government Treasury Bills	Entire interest deducted in advance	1		
Profits and Property of Telegraph Administration	Principal January 14th and July 14th, Interest of half year in advance	5		April 10, 1923
Government Treasury Bills		Renewable half Yearly		
Kirin & Heilungkiang Mines and Forestry and their income.	Principal January 14th and July 41th. Interest half year in advance	10		August 1, 1928
Property of Railroad		40		1929
Property of Railroad		40		1929

8. Administrative Expenses.

The amount expended by the Central Government in 1918 was $79,000,000, and that by the Provinces, $68,000,000. The total was 147,000,000. Based on previous records, the annual requirement for national and provincial administrative purpose will be roughly about $140,000,000. Granting that retrenchment can be made, the minimum amount required cannot be less than $130,000,000. The following table gives the estimated administrative expenses of the Central Government and the Provinces.

The Latest Estimate of Administrative Expenses of the Central Government.

(From July 1st to June 30th 1919)

Ordinary Expenditure

I. The President's Office	$3,385,336
II. The Cabinet	1,341,818
III. The Manchu Imperial Household	13,585,239
IV. The Ministry of Foreign Affairs	3,755,509
1. The Ministry	761,076
2. Legations and Consulates	1,863,210
3. All offices under its direct control	1,221,223
V. The Ministry of Interior	8,287,567
1. The Ministry	773,943
2. Parliament	3,638,800
3. The Metropolitan Gendarmerie	1,156,044
4. The office of Manchu Imperial Body-Guard	118,952
5. All offices under the direct control of the Ministry	2,595,154
6. Public Sacrifices	4,674
VI. The Ministry of Finance	31,505,064
1. The Ministry	711,936
2. All offices under its direct control	287,548
3. All other offices attached to the Ministry	789,598
4. Direct Revenue Collection Expenses	4,270,734
5. Salt Administration	10,976,662

6. Customs Administration	$14,486,676
VII. The Ministry of Justice	1,620,855
1. The Ministry	324,000
2. The Supreme Court	221,911
3. All offices under the direct control of the Ministry	1,074,924
VIII. The Ministry of Education	2,761,960
1. The Ministry	480,000
2. All schools under its direct control	1,547,364
3. All Branch Offices	179,196
4. Government Scholarships in foreign lands	179,200
5. Subsidies	376,200
IX. The Ministry of Agriculture and Commerce	1,463,964
1. The Ministry	703,340
2. National Waterways Conservancy Bureau	110,400
3. All offices under the direct control of the Ministry	650,224
X. The Ministry of Communications	1,129,496
1. The Ministry	713,692
2. Educational expenses	415,804
XI. The Department of Mongolia and Thibet	1,087,927
1. The Department	263,824
2. All offices under its direct control	41,478
3. Sub-offices	782,625
XII. All other offices and bureaux in Peking	966,802
Total	$70,889,517

Extraordinary Expenditure.

I. The Cabinet	$93,480
II. The Ministry of Foreign Affairs	2,006,016
1. The Ministry	392,656
2. Legations and Consulates	484,430
3. All offices under its direct control	1,128,950
III. The Ministry of Interior	931,727
1. The Ministry	239,479
2. Parliament	172,000
3. The Metropolitan Gendarmerie	12,000
4. All offices under its direct control	399,476
5. Public Sacrifices	8,772
IV. The Ministry of Finance	4,448,985
1. The Ministry	191,600
2. Sub-offices	729,028
3. Direct Revenue Collection Expenses	2,313, 458
4. Salt Administration	1,163,224
5. Customs Administration	51,675
V. The Ministry of Education	382,853
1. The Ministry	8,000
2. All schools under its direct control	314,853
3. All Branch offices	48,000
4. Subsidies	12,000

VI.	The Ministry of Agriculture and Commerce	$356,527
	1. The Ministry	148,000
	2. All offices unier its direct control	108,527
	3. Sub-offices	80,000
VII.	The Ministry of Communications	103,745
	1. The Ministry	87,382
	2. Educational Expenses	16,361
VIII.	The Department of Mongolia and Thibet	50,000
IX.	All Other Offices and Bureaux in Peking	4,451
	Total	$8,257,782
	Grand Total	$79,147,229

Provinces	Foreign Affairs		Revenue	
Provincial Govts.	Ordinary	Extra	Ordinary	Extra
Metropolitan District			$ 981,387	$ 1,200
Chihli	$ 37,084		2,492,462	104,484
Fengtien	86,216	$ 5,940	1,585,847	
Kirin	79,806		1,289,767	6,000
Heilungkiang	117,589		747,216	38,000
Shantung	31,540		2,380,749	120,206
Honan	21,934	16,980	1,809,821	31,047
Shensi			1,529,427	3,000
Kiangsu	65,208		4,267,590	154,000
Anhui	6,000		1,522,204	90,000
Kiangsi	16,000		1,598,779	341,000
Fukien	27,724	1,000	1,465,935	35,000
Chekiang	20,598	1,896	2,250,325	98,900
Hupeh	46,124		2,051,658	47,925
Hunan	6,000		1,527,055	15,000
Shensi	6,000		1,301,984	3,000
Kansu	8,212	20,000	881,986	55,026
Sinkiang	57,902		881,858	
Szechuen	20,247		2,800,990	6,200
Kwangtung	27,245	2,184	2,579,847	529,034
Kwangsi	1,200		1,095,666	30,115

...timate of Administrative Expenses of all Provinces
(From July 1st, 1918, to June 30th, 1919)

	Pensions		Justice		Education	
	Extra	Ordinary	Extra	Ordinary	Extra	
		$ 39,028	$ 2,400	$ 81,854		
		760,256		377,785		
		562,596		40,000		
		401,472		135,000		
	$10,000	185,440		30,000		
	12,000	349,661		75,729		
	7,695	40,000		40,000		
		389,318		155,000		
	428,900	547,532		239,202		$ 85,854
	20,000	396,420		35,000		
	314,908	329,518	2,410	35,000		
		209,200		35,000		
	36,900	795,682		50,296		
		400,592		352,201		35,500
		425,060		115,000		
		272,442		61,756		
	55,000	215,554		30,000		
	11,821	99,560		41,612		
		583,984	800	170,000		
	64,037	350,000		306,928		
	10,000	106,883	5,000	59,047		2,205

		$ 15,554	
	$ 250,607		
	4,262	5,760	
	8,500		
		69,720	
		54,089	
		97,810	
		72,000	$4,000

[illegible]	$22,566		$1,727,121	
[illegible]			1,259,482	
[illegible]	14,160		266,987	$5,000
[illegible]			174,097	1,511
[illegible]	9,692	$5,000	95,656	
[illegible]				
[illegible]			298,714	37,600
[illegible]	5,824		58,297	
[illegible]	5,020	2,320	45,259	2,568
[illegible]			157,000	
[illegible]			62,400	
[illegible]			39,840	
[illegible]			36,000	
[illegible]			33,840	
Total	748,185	50,770	40,995,265	1,485,954
Grand Total	$798,955		$42,477,217.	

			$399,028		$ 35,000	
					20,000	
			101,117		19,659	
		$5,450	11,548		46,978	
			40,727		10,958	
					57,584	
		4,492				$3,065
		121				
					10,000	
			5,600			
			6,600			
			1,800			
			5,000			
10,514,691	974,152	8,262,492	8,610	3,654,548		121,557
	$11,488,843		$8,271,102		$3,755,905	

[illegible]			
[illegible]			
[illegible]		$ 1,716	
		4,221	
[illegible]		2,089	
4,200	$ 1,920	32,886	$ 5,090
	2,045		
		40,000	
			2,400
			1,200
			1,200
			1,200
[illegible],779	269,289	404,110	15,090
$2,519,068		$417,200	
		$68,488,248.	

In the preceding paragraph, it is to be noted that the payment of national debts and administrative expenses annually amount to some $250,000,000. If it is deducted from the annual income of $570,000,000, only a residue of $320,000,000 will be available for the support of the army and the navy. At the present time, not counting the $7,250,000, expended on the navy, the army costs the country the enormous sum of $310,000,000. It must be added that even in this amount, neither the extraordinary and additional expenses required by the army, nor the extraordinary expenditure incurred by the Southwest recently are included. As it is our object to live within our means, it is essential that we should regulate the expenditure according to the income.

The present Number of Troops in the Country and their Cost of Maintenance.

(For the 7th Fiscal Year of the Republic)

Districts	Number of Troops	Cost of Maintenance
Central Gov't	540,544	$ 90,556,245
Chihli	24,528	4,345,208
Fengtien	58,820	11,360,959
Kirin	45,056	7,659,557
Heilungkiang	17,112	2,810,476
Shantung	76,292	1,618,968
Honan	28,876	5,056,722
Kiangsu	30,876	5,297,108
Anhui	21,528	3,747,295
Kiangsi	19,112	3,341,976
Yunnan	20,028	3,200,654
Hupeh	21,528	3,812,144
Fukien	25,556	4,129,582
Chekiang	22,508	3,978,666
Kwangtung	49,732	8,120,824
Kwangsi	29,445	5,094,399
Shansi	28,976	5,056,553
Shensi	39,276	7,301,291
Szechuan	35,662	6,146,104

	98 97	
Yunnan	48,488	$ 4,668,478
Kweichow	28,961	3,606,815
Kansu	17,814	3,165,976
Sinkiang	20,289	3,497,792
Jehol	6,198	1,000,024
Manchurian Border	12,777	1,800,000
Suiyuan	5,698	905,512
Chahar	2,180	206,871
Altai	1,674	298,951
Tolbahartai	822	125,042
Thibet	40	5,124
Total	1,290,657	$208,971,060

Notes:

1. All troops controlled by the Central Government are paid by the Ministry of War and other offices concerned, and the requisitions for such payment are made directly to the Ministry of Finance by them.
2. The troops stationed in the following districts are paid directly by the Ministry of War, and therefore their number of men and cost of maintenance are included in the figures given for troops under the control of the Central Government:-

One mixed brigade at Suiyuan $ 868,924
Six regiments of infantry and cavalry newly recruited by Defense Commissioner at Ninghsia. 165,464
The newly organized 2nd Mixed Division and Constabulary Corps at Charhar 1,141,852
Guards of offices at Urgan, Uliassutai and Kupetu 196,476

3. The pay of the troops in the following districts is included in the figure given for the support of Central Government troops, but the numbers of the men are included in those given for their respective provinces:-
One division of cavalry of the 29th Army Corps at Fengtien $ 421,284
The temporarily organized Second Brigade belonging to the 16th Army Corps in Hupeh $ 264,000
The 14th Mixed Division of the temporarily organized 2nd Army Corps at Fukien $ 883,203

4. The payment of the following troops is arranged by the Central Government, but the numbers of men and the cost of maintenance are included in the figures for their respective provinces:-
Pay and miscellaneous expenses for one army corps, five mixed divisions and one brigade of cavalry temporarily organized at Fengtien $4,409,680

One half mixed division newly organized at Kirin $495,000
two-thirds of a mixed division newly organized
At Heilungkiang 918,420
Regiments of reserves recruited for the two army
corps at Hukien $2,350,000
One brigade of cavalry newly organized and other
regiments at Suiyuan $ 301,505

5. With the exceptions above mentioned, all other troops are paid by their respective provinces.

6. The figures given in this table refer only to the numbers of troops, and the cost of their maintenance. The expenses for military offices, bureaux, schools, arsenals etc. are not included.

7. The figures for troops given in this table are based on reports. When such reports are not available, they are estimates based on money paid out according to the regulations now in force.

8. The figures for numbers of troops and cost of maintenance for the provinces of Yunnan, Kwangtung, Kwangsi, Kweichow and Szechuen are based on those of 1916 and 1917. As for their increase in 1918, it is not known.

The Present Military Forces under the Control of the Central and Provincial Governments with the Names of their Commanders and their Present Stations.

Kinds	Name of Troops	Name of Commanders	Stations	Remarks.
Central Govt. Luehsun	1st Army Corps	Tsai Cheng-hsun	Suiyuan	
"	2nd " "	Wang Chan-yuan	Wuchang	
"	3rd " "	Wu Pei-fu	Hengchow	
"	4th " "	Yang Shan-teh	Hangchow	
"	5th " "	Hsu Si-yuan	Nanking	
"	7th " "	Chang Ching-yao	Changsha	
"	8th " "	Wang Yu-sheng	Shasi	
"	9th " "	Wei Chung-hang	Nanyuan	
"	10th " "	Lu Yung-xiang	Shanghai	
"	11th " "	Li Kwei-yuan	Changsha	
"	12th " "	Chen Kwangyuan	Nanchang	
"	13th " "	Li Tsing-tsai	Hsi-yuan	
"	15th " "	Liu Sing	Nanyuan	
"	16th " "	Weng-Ting-tseng	Puchen	
"	20th " "	Pan Kuo-chang	Yochow	
"	23rd " "	Chu Tung-feng	Poiyuan	
"	24th " "	Ma Liang	Tsinan	
"	25th " "	Cheng Vung Yung	Paoting	
"	1st Mixed Div.	Pan Hung-Kyuin	Yui-hsien	
"	2nd " "	Liu Yao-long	Ichang	
"	4th " "	Chang Sih-yuan	Tungkwan	

Central Govt.	5th Mixed Div.	Chang Tsung-chong	Yuisheng
"	7th Mixed Div.	Tang Tien-shih	Yencheow
"	8th " "	Hsu Chan-feng	Cheng Chow
"	13th " "	Li Ting-tse	Tsupeh
"	15th " "	Kwan King-hsu	Han-han
"	16th " "	Feng Yu-siang	Chang-teh
"	17th " "	Chang Lien-sung	Yunyang
"	18th " "	Tsao Yun-hua	Hsiangyeng
"	20th " "	Wu Chang-chih	Tsining
"	21st " "	Sung Chuan-fang	Wuchang
"	24th " "	Wang Yung-chien	Yenping
"	25th " "	Soong Pong-han	Lo Yang
"	26th " "	Song Tse-yang	Langfang
"	27th " "	Chu Chi-siang	Hsuan-hua
"	28th " "	Chang Ting-hsun	Loyang
"	2 Div.Reserves	Wu Kwan-sing	In vicinity of Chinchow & Ichang.
"	1 Brigade Inf.	"	"
"	1 Regiment of Mountain Art.	"	"
"	10 large Companies	"	" 1 large Co. is equal to 1 Regiment of Fld.Art.
"	1 Regiment of Bodyguard	"	"
"	4 Battalions Machine Guns	"	"
"	2 Regiments of Poineers	"	"

Central Govt. Luchun	1 Company of Artisans	Wu Kwan-sing	In vicinity of Chinchow & Ichang	
"	1st Div.of Reserves,7th Army Corps.	Liu Tseng-yu	Changsha	
"	2nd Div.of Reserves,7th Army Corps.	Liu Tsao-chen	"	
Ichih	33 Regiments	Jiang Kwei-ti	Jehol	
in-an-wu-shun	41 "	Ni Shih-shung	Hsuchow,Anhui	Reorganized from Dingwuchun.
xeuwuchun	3 Mixed Div.	Lung Chi-kwan	Siaochan Machang.	
Tsansoonchun	10 Regiments Inf. & Art.	Li Chen-hua	Sian	
Luchun	Div.of Reserves,4th Army Corps.	Liu Han	Hangchow	
"	1st Div.Reserves, 10th Army Corps.		Shanghai.	
"	2nd Div.Reserves,10th Army Corps.		"	
Chihli Luchun	1st Mixed Div.	Wang Cheng-ping.	South Hunan	
"	2nd " "	Yen Hsiang-wen	"	
"	3rd " "	Siao Yao-nan	"	
"	4th " "	Chao Yin	Machang, Chili	Reorganized.
"	5th " "	Shang Teh-chuan	Techow	
Hsun-Ying or Prov.troops	3rd Detachmnt.	Chao King-pan	Hinsze	
	4th "	Ing Kwei	Chaoyang	Each Detachment approximately 5 Reg.

Hsun-fang or Prov. troops	4 Guard Corps	Stationed at various points in their jurisdiction.	Reorganised from Hsun Fang-tui forces Nos. 1, 2, 5, 6, 7, 8.
Fengtien Lushun	27th Army Corps	Sun Lieh-cheng	Fengtien
"	28th " "	Ki King-chen	Chinchow, Peichen.
"	29th " "	Hu Tsin-sun	Tai-nan
Fengtien temporarily organised Lushun	1st " "	Chang Kin-wei	Changsha
"	1st Mixed Div.	Liang Chao-tung	Changsha, Hunan.
"	2nd " "	Chen Tien-sun	Hsiaming Changtu
"	3rd " "	Tsai Pun-ping	Zinhai
"	4th " "	Wang Liang-cheng	Chenchow
"	5th " "	Liu Hyang-chiu	Sifeng
"	1st Div. Infantry	Wang Si-ping	Hsinping, Shensi
"	1st Brig. Cav.	Liao Chin-fang	Hsin Ping
"	2nd " "	Chang Yung	Hsinking.
Hsun-fang Lushun	Right Detachmnt. 11 Reg. & 4 Cos. of Constabulary	Ma Lung-tuan	Fenghuang
Kirin Lushun	1st Army Corps	Kao Shi-ping	Along Chinese Eastern Ry.
"	2nd Mixed Div.	Pei Chi-hsun	Changchung.
"	2nd " "	Kao Feng-cheng	Hunchun

Kirin Province	3rd	Mixed Div.	Tao Ziang-kwei	Harbin.
" "	4th	" "	Kao Shi-ping	Fu Lung-chien.
"	5th	" "	Yao Pei-tsung	Machuli.
Heilungkiang Province	19th	" "	Pao Kwei-ching (Acting)	Provincial capital
"	1st	" "	Li Cheng-loh	Suihua
"	2nd	" "	Chang Ming-ung	Tailaicheng
"	1st	" " of Cavalry	Chang Kwei-wu	Chinghsincheng
"	1st	Mixed Brig.	Wu Shi-ji	Hurho
"	2nd	" "	Li Shao-pei	Hulan
Shantung Province	5th	Army Corps	Chang Shu-yuan	Tsinan
" "	1st	Mixed Div.	Chang Keh-yao	Yusheng
" "	2nd	" "	Chu Pan-tsao	Tengchow
" "	3rd	" "	Chang Pei-yung	Tsaochow
" "	4th	" "	Chang Shen-nyi	Tungchang
" "	5th	" "	Li Sung	Tungchang
" "	1st	Div. of New Troops	Ho Feng-yu	Kin-hsiang
" "	7th	Mixed Div.	Sung Chung-shien	Yui-hsien
" "	47th	" "	Ma Liang	Tsinan
"	1st	Div.of Reserves	Chen Pao-ling	Shantung
" "	2nd	"	Chang Wha-ping	Shantung

Ma Liang has been made Commander of 24th Army Corps, No successor has been appointed yet.

Honan Luchun	1st Mixed Div.	Chan Shang	Hopei
" "	2nd " "	Tsai Teh-kwei	Kwanshan
	Vanguard, 8 Reg. of Inf.& 1 Reg. of Cav.	Wu Chung-tung	Nanyang
Hwai-fang	West Detachment, 8 Reg.of Inf.& 4 Reg.of Cav.	Cheng Kin-yung	Chi-yuan
Nichun	13 Reg.of Inf. & Cav.	Pao Teh-chuan	Kweitch
	Forces under control of Yupeh Occupation commissioner, 2 Reg. of Inf.& Cav.	Fan Yu-tien	Anyang
"	Left Detachment, 4 Reg.of Inf.	Ting Hyang-ling	Loyang
"	Right Detachment, 5 Reg.of Inf.& Cav.& 4 Reg.doing patrol duty.	Ma Tse-ming	Chie-hsien.
Newly trained Hsun-fang	3 Reg.Front Detachment	Kwan Teh-chi	Kaifeng
"	8 Reg.of Inf.& 1 Reg.of Art.	Tien Tse-ling	Yih-hsien
Hung Wei Chun	6 Reg.of Inf., 1 Reg.of Cav., 1 Reg.of Art.	Chao Chieh	Kaifeng
" " "	3 Reg.of Inf. doing patrol duty.	Yuan Pu-hwang	"
" " "	South Detachmnt, 3 Reg.of Inf. doing patrol duty	Yuan Chia-chi	Hsinyang
Kiangsu Luchun	2nd Army Corps	Chu Hsi	Soochow
" "	19th " "	Yang Tsun-pu	Chinkiang & Kian
" "	1st Mixed Div.	Ma Yu-chen	Huaiyang

Kiangsu Luchun	76th Mixed Div.	Chen Tiao-yuan	Kwushow	
"	78th " "	Chang Chen-kwei	Yangchow	
"	1st " " of Reserves		Kiangyu	
"	2nd Div.of Reserves		"	
"	Troops doing patrol duty	Liu Hsiai-sun	"	
"	Reserves,4 Brig. of Inf.& 1 Reg. each of Cav. & Artillery.	Pei Pao-san	Haichow	
Anhui Anwuchun	8 Detachments, together with Regiments of Art.,Cav.& Hsun-fang.	Ni Shih-chung	Wuhu,Pungyang & Pengpu.	The scheme to reorganize it into 4 mixed Div.has been suggested to the Ministry.
Kiangsi Luchun	3rd Mixed Div.	Chen Kwang-kwai	Kian	
"	9th " "	Ting Yao-lan	Fayu	
"	2nd Div.of Inf.	Wang Hsien-ting	Kan-hsien	
"	1st Brig.of Inf.	Li Ting-kwei	Kiukiang	
"	1st Provincial Defence Brig.	Liu Tien-chun	Lienhwa	
"	2nd Provincial Defence Brig.	Soong Hantsai	Kaisan	
"	3rd Provincial Defence Brig.	Hur Shien-ling	Kan-hsien	
"	4th Provincial Defence Brig.	Hsu Shih-fer	Kiukiang	
Hunan	1st Mixed Div.	Chang Chin-tang	Changsha	
"	3rd " "	Chang Chin-yao	"	
" Luchun	5th " "	Chu Shih-hwang	Kwaying	
	Guard Corps	Kiang Yun-an	Changsha	About 1 Brigade.

[illegible]	10th Army Corps	Wang Mou-sawng	Ichang
"	3rd Mixed Div.	Lu Chin-san	Shih-sur
"	4th " "	Liu Tsu-lung	Sse-nan
"	1st Div.of Inf.	Ing Tung-yu	Wuchang
"	2nd " " "	Han Yuan-chao	Wuchang
Fukien Luchun	1st Army Corps	Yao Kien-ping	Fukien
"	2nd " "	Chuang Tse-ping	Amoy
"	10th Mixed Div.	Tang Kou-an	Fukien
"	11th " "	Wang Chi	Foochow
Chekiang Luchun	1st Army Corps	Tung Pao-shuen	Amoy
"	2nd " "	Chang Tsai-yang	Hangchow
"	Guards of Military Governor's Office.	Chow Chin-chen	"
Kwangtung Luchun	1st Army Corps		
"	1st Mixed Div.		
"	2nd " "		
	Guards, 45 Regiments.		
	Shaochin troops, 15 Regiments.		
Kwangsi Luchun	1st Army Corps		
	2nd " "		
	10 Regiments doing patrol duty.		

[illegible]	1st Mixed Div.	Shang Cheng	Taiyuan
"	2nd " "	Ma Ehi-seong	Su-hsien
"	3rd " "	Kung Pen-wei	Tatung
"	4th " "	Chao Tsai-wen	Hotung & Yuncheng
"	5th " "		
"	1st " "	Kao Kwan-nan	Tatung
"	2nd " "	Shih Han-ying	Lingfun
Shensi Lushuan	1st " "	Liu Shih-lung	Tali
"	2nd " "	Tseng Ki-shen	Lochuan
"	3rd " "	Chang Pao-ling	Tungkwan
"	4th Div.	Wong Fei-hoo	Sian
"	5th "	Han Chin-sur	Puchen
"	6th "	Pei Hung-yi	Li Chuan
"	1st Brig.of Cav.	Chang Fan	Sian
"	2nd "	Chao Hwei-kong	Hsia-kwai
"	3rd "	Kiang Hung-mou	Puchen
"	4th "	Lau Hwa	"
"	1st Mixed Brig.	Chang Hung-yuen	Linyu
"	1 Educational Brigade	Chen Chien	Tali
Shensi	Hweipeh District troops doing patrol duty	Ma Ho-tsing	Hyangloh

Shensi	4 Reg.of Military Governor's Guard		Sian
"	Cavalry Div.	Ting Tao-sin	Yulin & Yenan
Szechuan Luchun	1st Army Corps		
"	2nd " "		
"	3rd " "		
Kweichow Luchun	1st " "		
"	2 Army Corps & 1 Div.reorganized from "the Independent Corps"		Stationed at Szechuen
Yunnan Luchun	1st Army Corps		about 15 Regiments
"	2nd " "		
Kansu Sinkien-chun	Left Army,5 Reg.of Inf.,1 Reg.each of Cav. & Art.	Wu Pan-kwei	Kung Sin-tung
	Right Army,6 Reg. of Inf.& 1 Reg.of Cav.	Wu Tung-chen	Di Dao-hsien
	Bodyguard 4 companies of Inf.& 1 Co. of Cav.	Kung Pan-chin	Tuchun yamen
Kansu	Provincial Defence troops & guards, 3 Regiments of Inf.	Wu Tieh-chen	Lanchow
Hsun-fang (at Tsinchow)	3 Reg.of Inf. & 1 Reg. of Cav.	Yang Shu-teh	Tien-sui

Hsun-fang (at Suchow)	Hsun-fang 4 Reg. of Cav.	Chiang Ho-sun	Suchow
Hsun-fang (at Hochow)	2 Reg.of Inf. & 1 Reg.of Cav.	Chang Ying-pan	Hochow
Tsingyuanchun	12 Reg.of Inf.	Ma Ting-hsiang	Hochow
Hsun-fang (at Ninghsia)	About 13 Reg.	Ma Fu-siang	Ninghsia
Hsun-fang (at Kanchow)	2 reg.of Inf.	Ma Chi (acting)	Chang-yen
Weiwuchun (at Liangchow)	About 6 Reg.of (Hsun-fang)		Kuyuan
Hsun-fang (at Ninghai)	6 Reg.of Inf. 4 Reg. of Cav.	Ma Chi	Sining
Kansu Lungtung Hsun-fang	Hsunfang, 13 Reg. of Inf. 4 Reg. of Cav.	Loh Hung-tao	Pingliang
Sinkiang Luchun	1st Mixed Div.	Tsiang Soong-ling	Harmi
	Ili " Brig.	Yang Fei-hsia	Ili
	Kersuh Mixed Brig.	Ma Fu-shing	Manchang
	1 Reg. of Inf.		
	1 Battalion each of Cav. & Body-guard	Wang Pu-tuan	Tacheng
Hsun-fang	Central Detachment, 6 Reg. & 4 Cos.of Inf., 3 Reg.& 3 Cos. of Cav.	Chang Hung-sur	Inside City
"	Front Detachment, 3 Reg.of Inf.& 6 Reg.of Cav.	Ma Fu-shing	Sulur-hsien.

Hsuan-fang	Left Detachment, 4 Reg.of Inf. & Cav. & 1 Co. of Art.	Yang Dih-an	Shuan
"	Right Detachment, 1 Reg.of Inf., 1 Battalion of Cav. & 1 Co. of Pacan troops	Ma Poh-ming	Taoheng
"	Rear Detachment, 1 Reg.of Inf.,1 Battalion of Cav. & 1 Co. of constabulary.	Tu Ling	Chengsi
Sinkiang Hsunfang	1 Reg.of Inf.	Yang Tsung-yung	Dihwa
"	Other troops, 7 Reg. & 3 Cos. of Inf., 6 Reg. & 3 Cos. of Cav.	Civil Governor acting as Commander.	"
Jehol Luchun	1st Brig.	Cheng Wen-yuan	Tsuitsesan
	2nd Brig.	Weng Chi-kou	Chiufung
Hsunfang	Central Detachment, 5 Reg. of Inf.	Yuan Kwang-cheng	Feng-ning
	East Detachment, 5 Reg. of Inf.	[illegible] Li Chan-yuan	Pingchan
	North Detachment, 5 Reg. of Inf.	Chan Ching-hsu	Kailu
	4 Reg.of Cav. doing patrol duty.	Liu San-sung	Outan
Charhar Luchun	1st Mixed Div.	Tien Yu-wong	Charhar.

Chaohar Ikeshun	2nd Mixed Div.	Ma Yisur	Kalgan
Hsui-chun	1 Reg.each of Inf. & Cav.	Tan Chi-yao	Tulun
"	4 Reg. of Inf.	Tan Chin-ling	"
Hsun-fang	1st Detachment, Regiments of Cav.	Chao Kien-tsai	Fengcheng
Hsun-fang	2nd Detachment, 3 Regiments of Cav.	Ting Chang-fah	Taoling
"	3rd Detachment, 3 Regiments of Cav.	Wang Ming-jiang	Purtai
"	4th Detachment, 3 Regiments of Cav.		Wangcheng
	2 Regiments of Inf. doing patrol duty.	Chang Fah-chang Wu Yang-yi	Fengchien Fengchien
Suiyuan Luchun	1st Mixed Div.	Li Han-chang	Suiyuan
	1st Brig.of Cav.(Temporarily organized)	Ni Wen-hang	Kweihua
	About 800 men doing patrol duty.		Stationed at various points.
	6 Regiments doing patrol duty		"
Szechuen Border	Border Mixed Div.	Chen Yar-ling	Szechuen Border.

Szechuan Border	Border [illegible] Regiments	Chen Yar-ling	Szechuan Border
Altai Luchun	1 Brigade & 1 Reg.		Altai
Talbahata Luchun	2 Regiments		Talbahata
Thibet	1 Company of Cav.		Tatsilu

Total Luchun 42 Army Corps.

80 Mixed Divisions.

15 Divisions of Infantry.

3 Divisions of Cavalry

7 Mixed Brigades.

19 Brigades of Infantry.

7 Brigades of Cavalry and other Luchun and Hsun-fang troops including infantry, cavalry, artillery, and poineers (engineer corps) about 480 regiments.

Army Service Corps

Name of troops to which corps is attached	Number of men.
Upper Yangtse General Military Headquarters	5,000
8th Army Corps (Iuchun)	1,500
11th Army Corps "	4,000
20th " " "	2,000
4th Mixed Division "	3,000
6th Mixed Division "	2,000
16th " " "	3,700
Troops under High Pacification Commissioner Tsao Jun	12,000
Troops under Commander-in-chief Chang Huai-tse	8,500
An Hu Troops	8,200
Troops under Tuchun Wang Chan-yuan	8,000 (approx)
Shensi relief troops	1,180
Troops under Tuchun Li Hou-ki of Fukien	6,000
Troops under General Tung Pao-hsuan in Fukien	4,000
Kiangsu Expeditionary Forces to Kiangsi	1,000 "
Kiangsi Expeditionary Forces despatched to Canton	4,600
Fengtien Expeditionary Forces to Shensi	7,000
Troops under Tuchun Chang Chin-yao	10,000 (approx. over)

Approximate Total - 92,180 men.

NOTE: 116 - 117 - 118 BLANK.

Let us summarize. It has been shown that the available income of the country annually is about $370,000,000; that the payment of national debts require about $120,000,000 and the administrative expenses at least $150,000,000; and that only a sum of $120,000,000 may be spared for the use of army and the navy. Also we have pointed out that the amounts required for meeting the national obligations as well as for administrative purposes are not only necessary, but also irreducible; and further that the country is expending $210,000,000 on the army which does not include its extraordinary and additional expenses, or the military expenses recently incurred by the Southwest which, when known, will swell the total at least to $240,000,000. In this connection, it may be remarked that the present military expenditures have exceeded those of 1914 by two-thirds, and those at the close of the Manchu regime by one and half times. When we have to add the $7,150,000 expended on the navy. The aggregate of these various sums is $507,000,000, which represents the entire expenditure of the country. When this is placed side by side with the income of $370,000,000, there is an appalling deficit of $127,000,000 which the country has to make good. If the administration of the country is carried on such a basis, to say the least, it is courting disaster pure and simple. Therefore we conclude that if the country is to be saved, the first step in this direction is sound retrenchment; and we propose, on the basis of our annual income, to apportion the expenditure as follows: - payment of national debts $120,000,000, navy $6,000,000 the appropriation of 1914 and 1915), army $110,000,000; and administrative expenses $130,000,000. The object we shall constantly and resolutely have to keep before us is

that our expenditure must not exceed our income.

Part II.

Military Reorganisation.

According to the plan laid down, at the close of the Manchu regime, the full strength of the army was to be thirty-six army Corps. On the birth of the Republic, this was increased to fifty. At the present time, it is estimated that there are not less than one hundred army corps in the country. As one army corps annually costs $1,800,000, and, as has been pointed out, only a sum of $110,000,000 will be available for the support of the army, it is clear that the military forces of the country should be reduced by half, which means the adoption of a fifty army corps standard. This question will be treated under the following heads:-

The Problem of Reorganisation.

Consequent on the adoption of this new standard, the first problem that we have to face is the determination of the future organisation of the army. There are two types of military forces in this country, the modern-drilled army or Lushun, and the old styled garrison or Shuntang. While a uniform organisation is to be immediately urged, it seems that until a complete plan of reorganisation has been worked out, the old-styled garrison cannot altogether be abolished. Such being the case, there are many questions which require attention. For instance, in what proportion the two types of troops should be retained on the new basis; whether their present stations should remain, or be changed; how the powers of the commanders should be defined; how the military organisation, as a whole, should be unified, and how the control and distribution of military supplies should be regulated. Not until these technical questions have been carefully settled can we say that the problem is solved.

B. The Problem of Superfluous Troops.

The Criteria and Method of Reduction and Disbandment.

The problem of reduction and disbandment may be looked at from two different standpoints. From the financial, it has been clearly shown that the reduction of the army is an imperative necessity, and that the ability of the country can support only fifty army corps. This, therefore should be accepted as the criterion for reduction and disbandment. From the military standpoint, the criterion for reduction and disbandment should have for its object the adequacy of protection of the country. While the primary purpose of any army is to defend the country against external aggression, it must withal be admitted that, in times of serious disturbances, it might be employed to cooperate with the police in the maintenance of peace and order. Based on the new standard, thirty army corps may be distributed in the various provinces as a reserve force to the police. Thus a large province may have a force equal to the strength of one army corps and one division, a medium province a force equal to that of one division and one brigade. Of the remaining twenty, under the direct orders of the Central Government, ten may be placed along the borders of Mongolia, Thibet, Kansu, Sinkiang, Kirin, Heilungkiang, etc., for defense purposes, and the rest stationed near Peking and other strategic centers as a reserve force to the other troops.

In carrying out this reduction and disbandment, it should apply equally to the troops under the control of the Central Government as well as those under that of the provinces. The Ministry of War should undertake the disbandment of superfluous troops under its direct control

and as regards troops that are stationed in the provinces, and others that are directly controlled by the provincial authorities, the Ministry of War and the provincial authorities should jointly be held responsible for the disbanding of these troops which are considered unnecessary.

The Provision of Means of Livelihood.

Though the disbandment of superfluous troops is an imperative necessity, the employment of them after disbandment in works of usefulness is a greater one. Left to themselves and without a means of finding their livelihood, they will constitute a positive menace to the country, as well as to the society. However, in providing employment for them, care must be taken to ascertain the character of the localities where they have been stationed and the kind of service they have been accustomed to while in the army, so that errors and unfortunate accidents, as far as possible may be avoided. The opportunities of employment which may be offered them are agricultural reclamation, road-making conservancy work and police service.

The Period of Disbandment.

The disbandment of troops should be carefully arranged and gradually executed. It may be carried out on a short period plan of one year, or a long one of one-and-a-half years. Whichever be the plan, it should strictly follow the budget.

The Cost of Disbandment.

According to the plan outlined in the Reorganization Loan of 1913, each officer and private, beside being paid their arrears, received three months' extra pay at the time of their discharge. Unless otherwise decided, this plan might be followed. (For details see under stimates of Disbandment).

The Creation of an Independent Organ for the Control Of Military Funds.

In every country, military funds are in charge of a special person who looks after the [illegible] passes upon all military receipts and expenditures. This is a very good institution and should be incorporated in our military organizations. According to the system at present, requisitions, in Peking, are made by the Ministry of War, and in the provinces, by the the Military Governors or Tuchuns. Recently applications for funds have come to the Ministry of Finance directly from the Commanders of the troops, which causes a great deal of confusion. In order to ameliorate this condition of affairs, the best remedy seems to be the creation of an independent office which will exercise control and supervision over all Military receipts and expenditures.

As the subjects which have been outlined above are all of a vital character, it is deemed of the highest importance that the best military experts in the country should be invited to deal with them. A temporary reorganisation bureau should be established, so that all details relating to military matters may be systematically and scientifically worked out and a strict and rigid supervision exercised over their execution.

As regards the execution of the reorganization plan, there is a great difficulty, and that is, no funds have been provided for it in the budget. Underpresent conditions, when things are badly disorganised, and the solution of the problem is of such urgent necessity,

there seems to be no alternative other than that of resorting to a foreign loan to put it through. According to the reorganisation loan of 1913, the plan of disbandment provided for the payment arrears, and also three months' pay. To each officer, a sum of $300 was allowed, and to each private $20 and in addition $4 for travelling expenses. In 1913, altogether 18,720 officers and 216,100 privates were discharged at a total cost of $29,112,400. This sum was made up of two amounts $15,910,000 for payment of arrears and $13,202,400 for extra pay and travelling allowances.

there seems to be no alternative other than that of resorting to a foreign loan to put it through. According to the reorganisation loan of 1913, the plan of disbandment provided for the payment arrears, and also three months' pay. To each officer, a sum of $500 was allowed, and to each private $20 and in addition $4 for travelling expenses. In 1913, altogether 18,720 officers and 816,100 privates were discharged at a total cost of $29,112,400. This sum was made up of two amounts $15,910,000 for payment of arrears and $13,202,400 for extra pay and travelling allowances.

	Number to be Disbanded			Cost of Disbandment: Expenses for Officers	
	Officers	Privates	Total	per capita	Total
	520	10,000	10,520	$300	$156,000
	260	5,000	5,260	300	78,000
	780	18,000	18,780	300	234,000
	260	5,400	5,660	300	78,000
	2,600	31,000	33,600	300	780,000
	2,600	42,600	45,200	300	780,000
	1,040	18,900	19,940	300	312,000
Kwangsi	1 ,040	2,500	3,540	300	312,000
Szechwan	1,040	17,100	18,140	300	312,000
Yunnan	520	10,800	11,320	300	156,000
Kweichow	520	8,300	8,820	300	156,000
Shensi	1,040	20,000	21,040	300	312,000
Kwangtung	1,040	20,000	21,040	300	312,000
Kirin	520	17,100	17,620	300	156,000
Kansu	1,040	25,000	26,040	300	312,000
Sinkiang	250	5,000	5,260	300	78,000
Jehol	260	5,100	5,360	300	78,000
Kwangtung	2,080	35,700	37,780	300	624,000
Chekiang	1,040	20,100	21,140	300	312,000
Kiangsi	260	500	760	300	78,000
Total	18,720	316,100	324,820	300 Average	5,616,000

Payment of Arrears in the Provinces in 1918.

Privates Pay at Disbandment per capita	Privates Pay at Disbandment Total	Travelling Allowance per capita	Travelling Allowance Total	Total for Officers & Privates not including arrears.	Arrears
	$ 200,000	$4	$40,000	$ 396,000	$ 720,000
	100,000	4	20,000	196,000	400,000
	360,000	4	72,000	666,000	150,000
	108,000	4	21,600	207,600	1,200,000
	620,000	4	124,000	1,524,000	4,000,000
	852,000	4	170,400	1,802,400	300,000
	378,000	4	75,600	765,600	1,200,000
	50,000	4	10,000	372,000	1,300,000
	342,000	4	68,400	722,400	2,000,000
	216,000	4	43,200	415,200	1,000,000
	166,000	4	33,200	355,200	500,000
	400,000	4	80,000	792,000	1,400,000
	400,000	4	80,000	792,000	
	342,000	4	68,400	566,400	
	500,000	4	100,000	912,000	500,000
	60,000	4	12,000	150,000	600,000
	102,000	4	20,400	200,400	640,000
	714,000	4	142,800	1,480,800	
	402,000	4	80,400	80,400	
	10,000	4	2,000	90,000	
	$,322,000	4	1,264,400	13,202,400	15,910,000
		Average			

Payment of Arrears in the Provinces in 1915.

Disbandment.

Private's Pay at Disbandment per capita	Private's Pay at Disbandment Total	Travelling Allowance per capita	Travelling Allowance Total	Total for Officers & Privates not including arrears.	Arrears
[illegible]	$ 200,000	$4	$40,000	$ 596,000	$ 720,000
20	100,000	4	20,000	196,000	400,000
[illegible]	360,000	4	72,000	666,000	150,000
20	108,000	4	21,600	207,600	1,200,000
20	620,000	4	124,000	1,524,000	4,000,000
20	852,000	4	170,400	1,802,400	300,000
20	378,000	4	75,600	765,600	1,200,000
[illegible]	50,000	4	10,000	372,000	1,300,000
[illegible]	342,000	4	68,400	722,400	2,000,000
[illegible]	216,000	4	43,200	415,200	1,000,000
[illegible]	166,000	4	33,200	355,200	500,000
[illegible]	400,000	4	80,000	792,000	1,400,000
[illegible]	400,000	4	80,000	792,000	
[illegible]	342,000	4	68,400	566,400	
[illegible]	500,000	4	100,000	912,000	500,000
[illegible]	60,000	4	12,000	150,000	600,000
[illegible]	102,000	4	20,400	200,400	640,000
[illegible]	714,000	4	142,800	1,480,800	
[illegible]	402,000	4	80,400	80,400	
[illegible]	10,000	4	2,000	90,000	
[illegible]	6,322,000	4	1,264,400	13,202,400	15,910,000
[illegible]rage		Average			

Dollars	In Taels.
1,116,000	Tls. 797,143
598,000	427,143
16,000	382,857
1,407,600	1,005,429
5,524,000	3,945,714
2,102,400	1,501,714
1,965,600	1,404,000
1,672,000	1,194,286
2,722,400	1,944,571
1,415,200	1,010,857
855,200	610,857
2,192,000	1,565,714
792,000	565,714
566,400	404,571
1,412,000	1,008,571
750,000	535,714
840,400	600,286
1,480,800	1,057,714
794,400	567,429
90,000	64,286
29,112,400	20,794,570

NOTES:

(1) The original document did not include Kwangtung, Chekiang and Kiangsi.

(2) It provided Taels 1,000,000 for the disbandment of troops in the Provinces of Fengtien and Kirin which will now be postponed, and the appropriation will be used to supplement the amount required to carry out the disbandment in Kwangtung, Chekiang and Kiangsi.

(3) The figures for arrears are taken from the reports of the Provinces concerned.

(4) The arrears in the different provinces are not of the same nature, varying from one month to two or three months, and in some cases being due to a few regiments, in others to the whole army corps, and again in some cases to officers only. The details are completed and therefore omitted.

(5) In regard to arrears of the troops in Kiangsu, Shensi and Kansu, the figures given herein represent the contributions of the Central Government to make up for the deficiencies which these three Provinces are unable to meet.

Estimages for the Disbandment of Troops.

In 1913, the disbandment of 30 army corps cost approximately $60,000,000. Now if this still holds then the discharge of 50 army corps will require a sum of $50,000,000. To this however, should be added the arrears due to the troops by the Ministry of War to the end of last December, which amounts to $29,600,000, and also the military expenditures of the Southwest of which we have no knowledge. Besides, the troops must continue to be paid before they are disbanded. Therefore, between the length of the period within which disbandment is to be completed, and the amount of funds required for this purpose, there exists the most intimate relation, which should be carefully taken into consideration.

1. The Cost of the Short Period Plan.

Supposing that the monthly cost of one army corps is $150,000; that the disbandment of fifty army corps is to be completed within the period of one year; and further, that as such disbandment can not be carried out simultaneously, an average of six months be allowed each army corps before disbanding, then we shall have to provide $45,000,000 for the payment of those troops pending discharge, and together with the $50,000,000 required in connection with the disbandment, a sum of $95,000,000 will have to be provided.

2. The Cost of the Long Period Plan.

According to this plan, an average period of nine months will have to be allowed each army corps before disbandment, and to maintain fifty such army corps for nine months at a monthly cost of

,000 per army corps, a sum of $67,500,000 will be necessary. Added to the disbandment expenses of $50,000,000, this plan requires an expenditure of $117,500,000.

In addition to disbandment expenses, there are other items which will have to be met. Some 200,000 troops belonging to the North and the Southwill have to be withdrawn from the various fronts. If a sum of $40 per capita as transportation expenses for all distances is allowed, the amount required for this purpose will be $8,000,000. Then the placing or employment of the disbanded soldiers in lines of usefulness will also have to be provided for. As the amount of outlay cannot be determined in advances, depending largely on the plans adopted, we shall assume that a sum of $30,000,000 will be required. Lastly before the new reorganization loan is concluded, the country is facing a monthly national deficit of $10,000,000.

The above represents the military liabilities which the country will have to meet before the reorganization of the army can be effected. We have pointed out that on account of the present disorganized conditions, the the extreme urgency of the situation, a foreign loan which will cover all these items will have to be made. In contracting this loan, we propose to pledge as securities new sources of revenue that can be developed, and stipulate that the payment of be spread over a long term of years, so that the annual obligations may be small and easily met. We shall also give assurance that the disbandment and reorganization of the troops will be rigidly carried out, and new sources of revenue strictly developed,

the end that domestic and foreign confidence may be strengthened, and the foundation of the republic solidly laid.

following tables give the items for the disbanding of troops.

Table I.

(Twelve months Disbandment Plan)

Expenses for disbandment, payment of arrears, and maintenance before disbandment	$95,000,000
Cost of Withdrawal	8,000,000
Cost of providing employment	30,000,000
Deficit before conclusion of Reorganization Loan	60,000,000
Total	$193,000,000

Table II.

(Eighteen Months Disbandment Plan)

Expenses for disbandment, payment of arrears, and maintenance before disbandment	$117,000,000
Cost of Withdrawal	8,000,000
Deficit before conclusion of Reorganization Loan	60,000,000
Cost of providing employment	30,000,000
	$215,500,000
(Note: Various banks have already advanced	30,000,000

for military and administrative expenses and a period of three months will probable be required before the new loan is concluded which means the incurring of another $30,000,000 deficit to the country).

Part III.

Civil Reorganization.

Next to the army, the fundamental question pressing for immediate betterment and development is the civil government of this country. With the advent of the Republic, the foundation of the state was undermined and had to be relaid. While new conceptions were being formed, political vicissitudes repeatedly arose which aggravated conditions. The time has now come when the civil government of the country will have to be overhauled and placed on a proper and permanent basis. Unless this is undertaken, not only shall we be the laughing-stock of the world, but also we shall be unable to maintain even our existence. In our reorganization schemes, we propose to improve the civil administration, to promote local self-government, and to develope the economic system, along lines that will be in harmony with our historical traditions, our present financial conditions, and the spirit of modern civilization. We shall treat the topics under their respective heads.

A. Reforms in Civil Administration.

1. The Separation of Military and Civil Officials in the Provincial Administration.

In attempting to reorganize the civil government in China, the first step must be the separation of military and civil officials in the provincial administration. The importance of this question was recognized as early as 200 B.C. In the Ch'in Dynasty (246-206 B.C.), when feudalism was abolished, a civil officer called "Suo" (守) was appointed by the Emperor to admin-

ter civil affairs, while military affairs were placed under a "Wei" (衛). This sound innovation has been followed ever since. In days before institution of a police system had been developed, it was necessary for the Government to station troops in the provinces, so that peace and order might not be disturbed. Latterly when the Republic came into existence, there was a great deal of political unrest, with which the civil authorities in the provinces were unable to cope, and, as an expediency, they had to fall back upon the military for assistance in the preservation of peace and order. Unfortunately this practice was carried too far, resulting in the military arrogating themselves powers which should belong to the civil administration, and the army becoming an insupportable burden to the nation. The situation has now come to such a pass that unless and until the military are permanently deprived of their usurped power, it is vain to look for any real improvements in the civil administration. However, in our eagerness to bring about this change, we must not expose the provinces to more dangers. We should, on the one hand, increase the police as a substitute for the troops, and, on the other, introduce administrative reforms which will remove sources of trouble. Thus the troops in the provinces, having become unnecessary as a factor in the preservation of internal peace and order may be withdrawn and employed for border defences.

2. Provincial Organization.

The Province - "Shen" (省)

In ancient times, the term denoting an administrative area

province did not exist. It began to be used in the 4th century A.D. as an administrative department of the Central Government, and continued to retain this signification till the Yuan Dynasty (1177-1367 A.D.) when it came to be applied to provincial administrative offices. It acquired its present meaning of province as an administrative area only in the late Tsing Dynasty (1644-1911 A.D.) when at the head of its administration was placed a governor whose duty it was to represent the central government in superintending the administration of civil affairs in subdifisions known as "tao" or circuit, "fu" or prefecture, "chow" or sub-prefecture, "hsien" or district. Thus it is seen that the term "shen" in the 14th century came to be associated with provincial administrative organs, and in 17th century, to denote an administrative area whose function was the supervision of local administrations having direct intercourse with the people.

As the territory of China is vast and extensive, and the number of sub-prefectures and districts is over a thousand, it has been a matter of political as well as administrative necessity that there should be between the central and local governments an intermediate institution like the province to establish the proper and efficient relationship. In recent years, people have advocated that China in her reconstruction might adopt one of the political systems of Europe or America. This idea, however, appears to us to be impracticalbe for two reasons. The first is that the countries w where popular government has reached its highest stage of development are generally smaller than China in territory, and it is

...ratively easy for their officials who stand in loco parentis ... the people to come into direct connection with their national government. If China were to adopt this plan of organization, the details of government would become extremely complicated, and the administration exceedingly inefficient. In the second place, the political system of Europe and America are a natural out-growth of historical conditions which it is beyond our power to imitate. As an illustration, it is impossible for us without the necessary historical background to make our provinces like the commonwealths of the British Empire or to establish for them the same relationship that the individual states bear to the United States of America, without sacrificing administrative unity which we are seeking to bring about.

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The word "Shen" which means "province" was not known to the Chinese until the 4th century A.D. It was a sort of administrative department under the central government. During the Sui (隋) Dynasty (589-617 A.D.) there were three Dais and five Shens (三台五省). The number of Shens was reduced to three under the Tangs (唐) (618-905 A.D.) and at the beginning of the Sung Dynasty (宋) (960-1176 A.D.) the three Shens (三省) and six Chaos (六曹) were working in perfect harmony. It was not until the arrival of the Mongols that the Shen began to be used as an administrative Department outside of the central government.

But this does not mean that we have nothing to learn from the West. Quite the contrary is our attitude. In the matter of knowledge and experience, political, legal, economic, financial, scientific,

national and otherwise, we have everything to learn from the West. In fact, we may even go so far as to say that without the Occident, there will be no Orient. We may adopt their ideals, introduce their methods, copy their laws, imitate their reforms, etc., but we cannot transplant their systems which are not indigenous. Any radical departure is not only unwise, but undesirable, and is therefore to be deprecated.

For the present, in our provincial reorganization, we shall confine ourselves to the unification and standardization of the administrative system adopting and adapting such of the West as will make for progress, and to the promotion of local self-government which lays the foundation for national stability. We feel that in the interest of administrative unity and efficiency, the province should continue to exist and to act as an intermediate link between the Central Government and the local governments, which is a product of our historical evolution.

b. The "Tao" or Circuit.

Formerly there were two kinds of intendants who ruled over the "tao" or circuit. The intendant of the "territorial" or general circuit was a supervisory official over prefectures, serving as a connecting link between the Governor and the subordinate officials under him, while the special intendant had charge of special work, such as the imperial or government granary, the imperial posts, the salo, the conservancy, etc. In course of time, the "territorial" or general intendant began to lose sight of the vital functions for which he was instituted, and served as a perfunctory medium between

governor and the local officials in transmitting orders and reports, which was not what the office should be. When the Republic was established, a change was introduced. In place of four gradations in the provincial official system, like the provinces, the circuit, the prefecture, and the district, there were only three, the prefecture being eliminated. By this change, the provincial official system was simplified, and the intendant of the circuit with enlarged powers was enabled to come into direct touch with officials who administered local affairs. But the duties of the intendant, according to the official regulations, were still supervisory, and so the change did not produce much good.

Unlike the governor of a province who is ever-burdened with affairs, the intendant of a circuit, in addition to his supervisory duties, should be made to function as an official having direct relations with the people. This departure will have three advantages: 1, by coming into direct relation with the people, he would acquire a first hand knowledge of their actual conditions and sentiments, which would enable him to direct and supervise to better advantage the administrations of the magistrates, and also to judge more efficiently the quality of their work; 2, where there is an intendant, the district magistrate may be dispensed with, which, economically, is a saving: 3, if the intendant assumes direct responsibilities towards the people, there is in operation an automatic system of mutual checking between the intendant and the magistrates under him which cannot but react beneficially for all

concerned. We feel strongly that this improvements should be introduced. This is by no means an innovation; the idea originated in Han Dynasty. (漢) (206 B.C.-219 A.D.) when presidents of boards in the central government were appointed to serve as governors in provincial governments, so that they might acquaint themselves with local conditions.

2. The Reduction of Superfluous Officials in the Central Government, etc.

In the latter part of the Manchu regime, administrative supervision became lax. There was a plethora of officials, but there was a dearth of workers. On the birth of the Republic, the old political order was overthrown, and a new one had to be established. When the Central Government was formed, a great many people flocked to Peking. In the course of reconstruction which followed, numerous shcemes were submitted/ and in order to carry them out, numerous posts were created. But little was done, and much was spent, till now an empty treasury threatens to put an end to all reconstruction.

The same condtion obtains in the provinces. In 1914, the provincial official system was promulgated, and by it the posts of the governor, the intendant and the magistrate were created. It was, nowever, not only too general, but highly defective. In regard to the organization of the various offices, there was great laxity. Beyond estimating the annual expenditures of their various offices, it left everything else, including that relating to

administrative expenses to officials to regulate and to adjust. The result was disastrous, because all that they tried to practise was indiscriminate retrenchment, in order to curry favour with the Central Government; and in the organisation of their staffs, they placed the service on a personal basis by employing their relatives and friends.

This deplorable state of affairs should immediately be remedied. In the first place, the number of employees in the Central Government should be reduced. In the second place, the provincial official system should be revised. In Manchu times, when everything had become long established, and problems were comparatively few, a prefect was assisted by a number of sub-prefects and assistant sub-prefects such as those in charge of military matters, water communications, etc.

Since the establishment of the Republic, problems have increased manifold, and yet according to the existing official system, both the intendant and the magistrates, with their enlarged responsibilities, are expected to discharge their duties efficiently and satisfactorily without the necessary additional assistance, which is circumstantially an impossibility. Therefore more posts should be created in accordance with local needs. Lastly and finally, the civil service should be placed on a merit basis, high qualifications should be insisted upon, and adequate remuneration should be given those who are so appointed, so that the best men in the country may be attracted to join the government service.

4. The Development of Our Educational System.

Figuratively speaking, education is to politics what food is to blood. As nutritious food enriches blood, so a good system of education purifies. Education, in the truest sense of the word, lays the foundation for all progress. This is best illustrated by the educational statistics of the most progressive countries in the world. According to recent, the percentage of illiteracy in the United Kingdom among army recruits is 1: that in France among army recruits 3.5; that in Germany among army recruits .03: that of native born whites of native parentage in the United States 3.7, and that in Japan 9.2. On the otherhand, although we have no educational statistics, yet we feel that the percentage of illiteracy, as compared with those of the above-mentioned countries, is extremely high: and in that very illiteracy lies the fundamental cause of our unsatisfactory political conditions.

Recent investigations show that the expenses appropriated for the Ministry of Education and its subordinate bureaux amount to some $4,270,000 a year: and that the aggregate expended by the various provinces is some $34,810,000. Among the provinces, Chihli, Kiangsu and Chekiang stand our first, each having to its credit the expenditure of some $3,000,000 on education. As for the other provinces, the educational provision varies from two million to half a million dollars annually. Considering the size and density of our population and the insignificant educational provisions therefore, it is no wonder that our people are ignorant, and the

country is backward.

Under the circumstances, the sole remedy that will ameliorate present conditions is to develop our educational system as rapidly as our financial abilities will allow. Our idea in regard to education may be calssified under four heads:-

1. Elementary or "Citizen" Education.

We have already in existence a number of elementary schools of the higher and lower grades located in cities and townships throughout the country. It is our opinion that steps should be taken to improve their textbooks, and, as far as possible, their equipment on the one hand, and to establish more elementary schools in cities, towns and villages on the other, so that gradually all children of school age may receive an education that will make them intelligent citizens and better parents. The goal, of course, is national compulsory education. Regarding expenses, the matter should be left to the Ministry of Education and Civil Governors of the provinces to arrange. If additional local taxes for purposes of education cannot be raised in poorer districts, national aid should be extended to them.

2. Industrial and Vocational Education.

The present age is an industrial and commercial age. Any individual or group of individuals who expect to survive and prosper must be well equipped for the conditions of life that obtain at the time of his or their existence. This is the reason why the progressive countries of Europe and America have laid such emphasis on industrial, vocational and technical education for their people. In China, till very recently, we have never recognized the importance

of this branch of education, and this, in part, accounts for the backwardness of our industries. Having found our defects, we must immediately rectify them. We feel that industrial knowledge and vocational training should be incorporated into our educational system from the primary school upward. As far as possible, the curricula of the primary schools should contain industrial features, so that children may grow up accustomed to the new order of things which is coming into being the world over. When things are more developed, special primary schools for industrial training should be established. Then there should be a variety of courses in the middle school, such as general, agricultural, industrial and commercial courses, the idea being to prepare students for specialization when they finish this grade of education, or for an industrial life when they have to terminate their education onleaving the middle school. As regards the higher agricultural, commercial and technical schools, attention should at least be one of each kind in a province. Special attention should be devoted to the agricultural, industrial and commercial conditions and possibilities of each province, and as far as possible, the work of the schools should be correlated with the actual conditions that exist. The support of this grade of education should be borne partly by local taxes and partly by government aid, and its regulation will be left to the joint decision of the Ministry of Education and the Civil Governors of the Provinces.

3. Normal Education.

There is perhaps no branch of education which is of greater importance to China at the present time than normal education. Although we have millions of children of school age, we have very few teachers. The lack of progress in our new education has been partly due to this fact. What we should do now is to expand the existing normal schools and colleges on the one hand, and to establish new ones on the other. Special courses adapted to the teaching of agriculture, industry and commerce should be offered these schools, so that the graduates may take their places in the lower grade institutions as teachers in those subjects. However, the selection of those teachers should be strict and of high standard. At the same time, the best students at the time of graduation as well as those teachers who have discharged their duties satisfactorily for upwards of three years should be sent abroad to further specialize in those subjects which they have been teaching. Upon their return, they may either teach in their original schools, or in other schools according to the direction of those in authority. Funds for this branch of education should come partly from local taxes, and partly from the national treasury.

4. Social and Supplementary Education.

This phase of education intends to include all those who are above school age and wish to acquire knowledge, irrespective of the fact whether they have received any previous school education or not. According to the latest statistics, there

are at present in the country [illegible] libraries , 287 elementary libraries, 257 circulating libraries, 2,129 elementary lecture halls, 659 open air lecture booths, 1,727 newspaper reading rooms, 10 museums, 81 schools for backward students, 1,242 half-day schools for poor and destitute, 37 open air schools, and 4,593 elementary reading schools, when account is taken of the fact that the pupulation is 400,000,000, and the territory is 4,278,352 square miles, the number of social educational institutions is practically nothing! It is felt that for the present, these popular educational agencies, as far as possible, should be improved in their equipment, and as soon as funds permit, they should be increased, and continuation schools and evening schools established throughout the length and breadth of the country. Funds for this purpose should entirely be raised locally.

These four kinds of education, in our opinion, should be vigorously pushed. Efforts should be made to retrench other administrative expenses, so that larger appropriations may be set aside for the development of education.

There have been persistent reports that the Boxer indemnity may be refunded to China by those countries which have not yet done so. If this should become a fact, then there is no better use to which it can be put than to found an educational endowment with it which will perpetuate the memories of those countires that give,as well as benefit the the conditions of those people that receive. A sure foundation for national security is public intelligence; a permanent guarantee for an

for an international amity is an intelligent common understanding.

The following table gives the educational expenses for 1918-19.

Table showing the Expenses of the Ministry of Education and other Subordinate Offices.

(July 1, 1918 - June 30, 1919).

Classification.	Ordinary	Extraordinary.
The Ministry	$ 480,000	$ 8,000
Schools directly controlled by the Ministry.	1,689,444	314,853
Subordinate Offices.	179,196	48,000
Scholarships for students abroad.	179,200	
Subsidies	376,200	12,000
National institutions in the Provinces.	873,526	112,254
Total	$3,777,566	$ 495,107
Grand Total		$4,272,673.

Table showing Educational Expenses in the Provinces.

Province	Estimated amount.
Metropolitan District.	$ 252,361.
Chihli	3,415,015
Fengtien	2,376,580
Kirin	929,958
Heilungkiang	541,044
Shantung	2,619,850
Shansi	1,440,705
Shensi	575,000
Kansu	1,050,100
Honan	1,091,646
Kiangsu	3,958,186
Anhui	525,904
Chekiang	2,982,401
Kiangsi	1,050,170
Hupeh	1,178,152
Hunan	1,387,500
Fukien	707,794
Kwangtung	2,764,200
Kwangsi	782,790
Kweichow	497,120
Yunnan	1,192,033
Szechuen	3,212,033
Singkiang	81,063
Jehol	107,356
Charhar	54,721
Suiyuan	40,680
Total	34,815,362

Extension of the National Police.

The importance of the police as a factor in the administration of a country cannot be overstated. It helps to enforce laws and reforms as well as maintains peace and order. It is a pushing and maintaining factor at the same time, and therefore a service indispensable to the welfare of any society.

We are about to disband our superfluous troops and to withdraw others which have, up to the present, been employed in the maintenance of peace and order in the provinces. The responsibilities hitherto borne by them will now have to be shouldered by the police, and in addition innumerable reforming measures such as sanitation, census-taking, public morals, etc. will have to be enforced as a result of our civil reorganization. Therefore, the extension of the police system in this country becomes all the more important.

If one should make an investigation of the police in this country, he would find that there is a considerable degree of organization and efficiency in the metropolitan police, and that this efficiency decreases, as he travels from the provincial capital to the commercial port and from the commercial port to the district city. The latest statistics, in regard police expenses give $4,225,000 for the national police, and $11,644,000 for local police. Even if the whole amount of some sixteen million dollars were applied towards the support of effective police forces in the Metropolis, provincial capitals, commercial ports and important cities and towns, it would not be sufficient. Hence the police in small localities was largely neglected.

The development of the police system will have to be conducted both intensively as well as extensively. The Ministry of Interior and civil governors of different provinces will be asked to draw up a detailed plan concerning the extension of the police system into the small localities; and to establish within a specified period more police-schools to train officers and men, so that they fill the service efficiently.

Three sources of revenue may be devoted to this purpose.

(1) Funds that have heretofore been employed in the maintenance of local militia, or other local guards, in district cities, towns and villages.

(2) If more funds are needed, additional taxes may be raised, but care must be taken not to go beyond the local financial ability.

(3) The enforcement of the house tax.

Of the three kinds of income, the first is one of long standing; the nature of the second is apparent, while the third is a special police tax, which for the purpose of maintaining the police should be introduced. Regulations governing the house tax should be drawn up and put into force, so that local funds may be available for the introduction of police. Thus the national police system may be completed.

Table showing the Cost of Maintaining the Police in Peking and the Provinces.

(July 1918 - June 1919)

Provinces	Cost of National Police		Cost of Local Police	
	Ordinary	Extraordinary	Ordinary	Extraordinary.
Metropolitan District	$1,920,000	$300,000		
Chihli	498,284		$ 757,193	
Fengtien	518,281			
Kirin	511,228	6,000		
Heilungkiang	25,500	14,130	168,248	
Shantung	458,342		4,300	
Honan	63,729	1,047	250,528	
Shansi	203,016	1,500	25,481	
Kiangsu	2,462,520	300	262,254	
Anhui	486,527	15,000	36,788	
Kiangsi	398,901	21,672	595,033	
Fukien	378,400	5,000		
Chekiang	965,299	40,000	5,628	$49,117
Hupeh	822,587		281,830	

	$630,511	$48,320		
[illegible]nsi	161,858			
Kansu	208,969			$18,785
Singkiang	74,160			
Szechuan	716,942	2,200		
Kwangtung	1,043,027		$1,001,529	
Kwangsi	209,466			
Yunnan	296,440		192,543	
Kweichow	154,721			
Jehol	73,834	3,000	383,664	
Suiyuan	86,346	1,697		
Chahar			109,147	11,658
Szechuan border	9,488			
Altai	14,292	2,160		
Total	13,402,708	$462,026	$4,074,166	$ 151,805

The total cost of maintenance of Government police is $13,864,734, and that of local police, $4,225,971. The grand total is $18,090,705.

The Promotion of Local Self-Government.

During the last decade and a half, the question of local self-government has become one of increasing importance. Owing to its fundamental character, it has not yet been solved. Self-government seems to vary very much in different places. In European countries where self-government had its origin in charters, its scope is very large, and its powers are very extensive. In countries like Canada and Australia, it is even more developed, and is almost sovereign in character. In discussing self-government for this country, it is erroneous to hold up such advanced types as examples, for they are the evolution of historical conditions and therefore inimitable. What we should aim to attain is that which agrees with our past and insures progress for the future. We feel that self-government in this country should be of two grades; district self-government and provincial self-government.

1. District Self-Government.

Unlike western countries, self-government in the modern sense of the word is a new thing in China, and may be said to be the creating of the Central Government. Under the late Manchu regime, when self-government in cities, townships and villages was put into operation, little result was produced. This was because the areas were too small, the people too few, and the funds too scanty. In remote parts of the country, where the people had never come into contact with modern civilization, they did not even know what self-government meant, and, therefore, did not evince any interest

it. No wonder it was that self-government then failed. On the other hand, the reason why it has flourished in the west, apart from its historical traditions, is because the people, being educated, appreciate its value, and are ready to bear the cost. Therefore, if self-government is to be made a success in China, the best method pf procedure seems to be the organization of model centers where the experiment can be made under prescribed conditions. It should be started in the large and populous districts, where the necessary funds can be found, and then extended to the smaller and poorer districts which may be aided by the larger and wealthier ones. For the sake of success, it is inadvisable to start self-government in all districts simultaneously.

2. Provincial Self-Government.

Since the establishment of provincial assemblies, provincial self-government has begun to develop. As the province is a composite unit, its self-government should be based upon the district, and serve as a union self-government for all districts. A provincial self-government should undertake to carry out those measures which are beyond the financial ability of any district to attempt, to settle disputes between districts, and to aid poorer ones to carry on their self-government. In regard to its assembly, it should comprise representatives elected by the district assemblies, so that the provincial self-government may truly represent the interests of all district self-governments composing it. Thus all possible sources of misunderstanding being removed, there should be no obstacles in the path of promoting reforms.

In this connection, we may add that another reason why self-government did not thrive under the Manchu regime was because there were too many grades of self-governing bodies which made the system complex, such as prefectural, sub-prefectural, district, city, township, and village self-governments. In our present plan, we have carefully avoided this error. We emphasize the model self-government center, because it will be a good object lesson; we emphasize that self-government should first be undertaken in the larger and more populous districts, because more funds will be available for carrying our reforms.

3. Promotion of Self-Government Activities.

The delegation of authority to local self-governing bodies by the central government has for its purpose the promotion of local well-being. So when self-government is put into effect again, emphasis should be laid upon results. The evil obtained under the Manchu regime of placing too many officials in the self-governing bodies must never be allowed to recur, so that funds set aside for the promotion of self-governing activities may not be diverted for other purposes.

In developing local self-government, it is felt that it should be divided into two stages. During the first stage, efforts should be confined to the improving of all activities that still exist, and all funds that were allotted for the use of local self-government should continue to go to its support. At the same time, plans for its improvement and extension as well as for raising more income

should be made. During the second stage, however, when more funds will have become available, local self-government should be systematically extended according to plans that have been drawn up, and withal measures, like local industries, municipal improvements, building of roads, deepening of waterways, etc. should be undertaken on alarge scale, so that the people may be benefited.

There are three ways by which new sources of local revenue may be obtained for this purpose. The first is the creation of special taxes like the tax on domestics, luxuries, and such others as may be placed in the category of local taxes. The second method is the introduction of surtaxes, such as those on land, income, license, etc., which, however, should not be imposed, unless the people are equal to the assumption of this additional burden. The third method is the apportionment of national taxes, when the national revenue shall have been improved. Such unclassified taxes as are collected by the Central Government and are of a nature similar to the local taxes may be alloted for the use of local self-government.

D. The Development of Our Economic System.

The economic development of a country forms the basis of its social and political stability. It is dependent on education indirectly, and on agriculture, industry and commerce directly. Hence, it should be made our fixed policy to encourage and promote them. Unfortunately for the moment, we are prevented from taking large steps in this direction, as our financial conditions do not permit us to dose. But we are determined to stand for a policy by which all obstacles will be removed, so that all our economic forces may be called into free and full play.

The first is the decadence of our national highway system. By highway system, we mean our network of post roads and stations which existed in the old days. Since their deterioration, intercommunication in the interior of the Country has practically stopped, and farmers, artisans and business men have consequently suffered a great deal. Although railways and steamships are vital factors in the economic development of a country, yet we feel that to China and her people, from the economic as well as military and administrative points of view, ~~////~~ nothing would be more desirable and useful than a national system of up-to-date roads and highways, connecting the length and breadth of the country over which motorcars and other modern vehicles may run. It will benefit local commerce and industry as well as ameliorate the backward conditions of the people.

At the present time, the immediate construction of a national system of roads and highways has an additional significance which we must not overlook. On the one hand, we are going to disband the superfluous soldiers, and on the other, we have to find productive employment for them. What better combination can there be than to utilize this military labor in the construction of roads and highways, when it is released? A tentative scheme has been drawn up which will be found in the appendix. According to this scheme, the system of roads will be standardized, graded and built by periods, and foreign loans of sufficient size will probably from time to time have to be made in order to put it into effect.

The other three obstacles which will be dealt with are the present chaotic condition of our fiscal system; the existance of injurious taxes, and the restrictions inherent in our treaties and traditions so long as these obstacles are allowed to stand, the economic development of our country is well-nigh impossible.

1. The Construction of a National Highway System.
(found in the appendix).

2. Currency Reform.

Under the Manchu regime, many plans for the reformation of the currency system were proposed, but none were put into effect. When the Republic was established, a set of regulations governing currency reform was promulgated; and they would have been effective, if disturbances had not repeatedly broken out to interrupt their operation. In face of the ever-increasing military expenses which had to be met, both the Central Government and the Provinces resorted to the unwise practice of issuing banknotes to an unlimited amount. As bad money drives out good money, the currency in every province has been most adversely affected, which in turn has reacted most disastrously upon commerce, fiscal reforms, industrial and financial conditions in general. For this reason, in 1913, it was proposed that the reform of metallic currency should precede that of paper currency, and that the silver standard should be considered before the gold, for at that time it was not necessary to borrow foreign loans for this purpose.

However, the situation has changed. More banknotes have since been issued, and the markets are flooded with them. It seems that measures to reform coinage and banknotes should be undertaken at the same time. In order that this problem may be solved, the only course open to us at the present time is to contract a foreign loan in gold. This being the case, the gold standard will have to be

considered in preference to the silver. We hope, by this reform, that all obstacles of a financial character may be removed, our exports may increase, foreign capital may be attracted into the country, and our agricultural, industrial and commercial enterprises may be promoted. With these objects in view, we make the following proposals:

a. The contraction of a gold loan in order to adopt a gold standard.

b. In accordance with a carefully worked out plan, by time and place, reforms based on gold or its equivalent, should be systematically carried out to replace the existing silver dollar, the silver dime, the copper and the cash.

c. In accordance with a carefully worked out plan by time and place, based on gold or its equivalent, the banknotes now in circulation should systematically be withdrawn.

In connection with the execution of these reforms, we propose that a currency reorganization bureau be established, so that Chinese and foreign financial experts may be engaged to work out these problems.

3. <u>The Abolition of Injurious Taxes</u>.

Among the injurious taxes, likin stands out foremost. During the Taiping Rebellion (1850-64 A.D.)the Central Government, being unable to obtain money to meet militaty expenses, thought of a plan by which a one percent. duty was levied on all goods passing every fixed point. This was called the likin. It was the original intention to abolish this duty as soon as the need for it was over, but, instead of that, likin stations, during the last few decades,

but, instead of that, likin stations, during the last few decades, have increased, and to no small degree, have contributed towards the strangling of our domestic commerce. Arrangements will be made to abolish this injurious tax as stipulated in our treaty with Great Britain, the United States, Japan and Portugal, made in 1902, and raise the customs tariff. Although by this measure, our revenue may temporarily suffer, yet we firmly believe that with our economic development, consequent on such condition, the loss will, in the end, be more than made up by the gain.

Other injurious taxes which demand immediate abolition are those on gambling and lotteries. The evils of these taxes have long been recognized by the Central Government, which has never looked upon them with favour. Only in times of financial stringency, the provincial governments have invariably resorted to them, because they form one source of revenue on which they can count. As they are demoralizing, steps will be taken to effect their abolition. The same drastic measure will be applied to other harmful taxes, such as duplicated and unclassified taxes, as soon as our financial conditions improve, or new and beneficial taxes can be substituted for them.

4. The Removal of Restrictions in our Treaties and Traditions.

Another cause which hampered our economic development is the restrictions inherent in our treaties with foreign powers, and in our historical traditions. There are four such restrictions. The first is the forbiddance of the exportation of salt and agricultural products. Lest famine and other calamities should overtake the people, tradition has always demanded that a lookout be kept for the exportation of such products. Thus in our treaties of commerce, it was stipulated that such articles should not be exported. Hereafter, such time honored practices should not be given overdue observance, and all surplus salt and farm products should be allowed to be exported to foreign countries.

The second restriction is the emigration of labor. Ever since the Great War, Chinese labor has been much in demand, and it is believed that after the conclusion of peace, the demand may continue. Heretofore, our laborers were all ignorant people, and emigrated to foreign lands of their own accord. Now the Emigration Bureau has been established, and steps will be taken to encourage them to go abroad. Provision will be made to give them a suitable elementary education before they leave the country, so that they may later be able to do their work better and more efficiently.

The third restriction is the question of monopoly. During the first years of our intercourse foreign traders in Canton were at the mercy of the Thirteen Companies. So when the treaties of commerce were concluded it was stipulated that the privilege of monopoly should not be granted to merchants. This stipulation, however, does not conclude the Government itself from organizing monopolies. It is the intention of the Government to make known to the Foreign Powers that, in order to enhance its revenue, it is contemplating to undertake monopolistic enterprises of such articles that come under this category.

The fourth restriction is the right of domicile. Difference in language, customs and laws has given rise to such institutions as foreign settlement and ex-territoriality; and the right of domicile has been denied foreigners which operates very detrimentally to their interests. In recent years, we have come to a better mutual understanding, and at the same time our judicial administration has been undergoing radical changes, and is being organized after the best western models. It is our belief that the time is imminent for us to arrange with the Foreign Powers for the abolition of foreign settlements, and ex-territoriality, so that the people of the West may be accorded the right of domicile in any part of China, and that there may be mutual advantage in the development of our economic resources,

Conclusion

Realizing the fundamental importance of the problem of military and civil reorganization, to the people of this country, we who have been intrusted with the weighty task of working out a solution have drawn up the above-outlined plan in a fair and impartial spirit. No cognizance has been taken of any partisan interests, be they those of the Central Government or the provinces, of the North or South or of the old or new. The one dominating ideal that has guided us is the welfare of the whole country and the interests of the people. Further, we have carefully studied the present conditions of the country, the needs and sentiments of the people and the course of advancement of the world at large before the plan of solution is formulated. Let us briefly sum up the essential points:-

1. The military and civil reorganization should be undertaken in accordance with the financial ability of the country.
2. The expenditure for military and civil affairs should be fixed according to the income of the budget.
3. In order to put through the military reorganization, whatever expenditure that has not been provided for in the budget should be covered by a foreign loan.
4. In accordance with the amount of expenditure fixed for the civil administration, steps should immediately be taken to separate the military and civil officials in the provincial

administration, and to introduce civil reforms. At the same time plans should be made for the development of our economic resources so that administrative reforms along lines of education, industry, communication and currency may be put into operation.
5. In the matter of self-government, efforts should be made to preserve the existing self-governing institutions, and to work out plans for its development and extension.

When the plan has been thoroughly discussed and adopted, the Government will be requested to put it into effect. It is the sincerest hope of all who are responsible for the formulation of this plan that, by its operation, the fundamental difficulties of China may be solved, and permanent good may accrue to the people of this country who may thereby be permitted to contribute their share to the progress of the world.

Appendix.

A New National Highway System.

In China there was a national system of highways, which was known as the Government Courier roads. Along the more important roads, equestrian stations were established, while along less important ones, only pedestrian stations were found. The postal service, operated on these roads under the direction of the Ministry of War, was well-regulated as regards the number of men under employment as well as the time the trips in between stations were to be made. In Inner and Outer Mongolia, similar stations were established.

All courier roads having equestrian stations radiated from Peking, each one terminating in a province; other with pedestrian-stations started from provincial capitals in different directions, joining other cities in the provinces and terminating on the borders of adjoining provinces. The delivery of despatches was regulated according to their degree of urgency. Horses and men were relayed at every station. The equestrian service could cover a distance from 200 li to 800 li a day, and the pedestrian service from 100 li to 300 li a day. In times antedating the introduction of the telegraph the railway and the steamship, this system of postal service might be considered efficient. Not including the waterways, there were, in the different provinces, 1764 equestrian-stations covering a distance of 124,414 li, and 14,400 pedestrian-stations over a distance of 300,862 li. The following table compiled from authoritative records gives the details of these old postal highways.

Table Showing the Old Highways of China.

Provinces	Equestrian-Stations	Length in li.	Pedestrian-Stations	Length in li
Chihli	98	6,120	849	18,805
Manchuria	101	6,540	...	.....
Shantung	46	2,776	1,064	19,019
Honan	66	4,130	802	17,338
Shansi	78	5,955	999	31,131
Kiangsu	26	1,905	592	9,852
Anhwei	33	2,005	817	14,663
Kiangsi	45	4,130	937	22,369
Fukien	57	3,675	777	12,445
Chekiang	34	2,880	847	10,653
Hupeh	39	2,750	646	14,535
Hunan	55	4,190	1,245	19,318
Shensi	44	2,520	539	13,800
Kansu	107	6,753	358	10,903
Sinkiang	152	12,810	...	.....
Szechuen	184	13,050	1,438	29,342
Kwangtung	22	3,382	941	18,014
Kwangsi	35	4,070	599	12,804
Yunnan	106	6,180	407	15,033
Kweicheu	34	1,910	474	8,500
Jehol	6	570	69	2,338
Mongolia	396	26,158	...	.....
Total	1,764	124,414	14,400	300,862

These old highways continued to be used till the time of the Regolution (1911), when the system was discarded, and fell into disrepair. In South China, land once occupied by highways has been partially encroached upon by farmers and placed under cultivation, while roads in the north, owing to neglect and their ever-deepening ruts, have, in rainy season, become ditches. In mountainous regions such as the Southwest, the paths with their rope-bridges have become natural insurmountable barriers. These highways had no fixed dimensions, grades, drainage and bridges. When the travellers came to a stream, they waded across, if the water was low; or were ferried over, if it was high. The condition of our highways therefore is desperate, and they can no longer be called or used as such.

Furthermore time and circumstances have both changed. Science and commerce have become predominant factors in modern civilization. What once sufficed no longer serves the purpose. The introduction of the railroad and the telegraph has marked the beginning of a new epoch which is revolutionizing our social and political life. On the one hand, we are making time and gaining speed wherever these innovations exist, but on the other, the great bulk of our people in the interior of the country who do not have access to these advantages have been seriously handicapped in their travelling by the decadence of these highways. With the revival of commerce after the conclusion of the world peace, the necessity for a good system of roads will become even more pressing. As free and easy communication is vital to the success of our Reorganization Plan

lays the foundation for the permanent development of China, it is highly essential that a new national system of roads and highways be projected and built. As an aid to our better understanding of the importance of roads and highways, we shall give two short accounts of the highway development in the United States and Korea which in recent years have given the matter great attention.

American Highway System.

The bridges and highways in the United States were once operated on a business basis under private ownership, and tolls were collected for their maintenance. Even to-day in Harrisburg and Bethlehem, Pennsylvania, such bridges are still in operation. Later, the system of labour conscription was introduced, by which all male adults along the road had to contribute ten days of labor toward its upkeep and improvements, thus transferring the control of raods into the hands of the public. But this system was not a perfect one for the reason that it was unfair to the people in the country, as the city residents were entirely exempted from conscription. To remedy this defect, the United States Government took over the control of roads and gave it to the counties. In the year 1891, New Jersey was the first to establish a state highway department, whose function it was to manage all the roads of the state, to test the materials and standardize the lines of the whole state. In a few years, this system was adopted by one state after another. New York State in 1906 appropriated a sum of G.$50,000,000, and later, in 1912, a like amount for the improvements of 3,617 miles of state roads and 8,380 miles of country roads.

same state adopted a road system which could be divided into four kinds: first; state roads, which were kept up by the state; second, the county highways, maintained by both the state and the counties; third, the county roads, supported entirely by the counties; and fourth, the county roads, which were built with state aid. This system is largely followed by all the other states to-day and the aggregate annual expenses for the maintenance of roads in the country amount to hundreds of millions of dollars. On the average the state pays 50%, the county government, 35%, and property owners along the road, 15%.

The following is the recently suggested plan of the Joint Highway Congress. It classifies the highways under three groups: the national, the state, and the county highways; and, further, each group is to be composed of three classes.

National highways of the first class, passing through the main centers of population in the States, will be built of substantial materials with a width of the right-of-way of not less than 100 feet, and a surfacing not less than 60 feet, and will be able to stand a volume of automobile traffic of not less than 2,500 tons per day. All grade crossings of railways will be separated by overhead or underground crossings. Great pains will be taken in making straight alignments and reducing grades. The roadbed and surface around all curves will be properly elevated, providing a speed of at least 35 miles per hour. Sidewalks and gutters, etc., will, of course, all be included, but

special emphasis with reference to national defense will be put upon the laying out of this class of roads.

National highways of the second class will be built in connection with small towns and villages where industries and commerce are not fully developed. They will have a right-of-way of at least 80 feet in width and a surfacing of 60 feet, and they will be constructed of materials similar to those used in highways of the first class.

National highways of the third class will pass through sparsely populated sections of the country. They will be built with similar materials as used in highways of the first class, and will have a right-of-way of 60 feet in width and a surfacing of 40 feet.

The bridges of the national highways will all be designed for 20 tons of motor traffic, but the width of the first class bridges will be 50 feet; those of the second and third class, 40 and 30 feet respectively.

State highways of the first class will run through large towns and cities which are not reached by the national system, making connections with the national highways. They will be designed to carry traffic similar to the national highways, and will have a right-of-way of 60 feet with a surfacing of 24 feet to 30 feet.

State highways of the second class will have a right of way of 40 feet with a surfacing of 18 feet to 24 feet. Except by written permission, no traffic of more than 16 tons will be allowed.

State highways of the third class will be designed to have a right-of-way of not less than 30 feet and a surfacing of not less than 18 feet.

County highways will vary with localities depending upon the intensity of traffic, and therefore no definite rules can be laid, but they must have a surfacing of not less than 16 feet.

Highway Development in Korea.

In 1907, Japan began to plan for the laying out of a highway system in Korea. According to the plan, the system was to be completed ih six years, and the number of roads was twenty-two with a length of 2,200 li. Two years later, with appropriations increased by a little over two million dollars, the period of six years was shortened to four. Since then, greater efforts have been made in the construction of roads and highways. The present plan consists of 17 first class highways with a length of 4,644 li; 78 second class highways with a length of 17,786 li, and a length of 20,586 li of third class highways. This scheme is very far-sighted and provides for a system of 36,400 li of highways in an area of 500,000 square li.

These roads are to be constructed in three periods. The first period was from 1911 to 1918 during which time the most important highways were to be built. The total length was 12,800 li, or 64% of the grand total. The 3,492 li of first class and 8,310 li of second class highways cost about Yen 10,000,000. The second period begins in 1919. The roads to be built during

period are 1,192 li of the first class, and 5,478 li of the second class, or 35% of the grand total. The important bridges that have not been built are to be completed in this period. The budget for road construction is another Yen 10,000,000. Work for the third period will mainly be to improve and repair the existing roads. From 1910 to 1915 in a period of six years, the Central Government in Korea spent about Yen 11,270,660, and the local governments about Yen 1,705,760 on highway construction. First and second class highways are mostly improved and maintained with government aid. One li of first class highway costs about Yen 2,000, while that for the second class is about Yen 830.

Our Proposed Highway System.

The national highway system which we propose to build will consist of four classes of roads, mostly first class or national highways, second class or provincial highways, third class or district highways, and fourth class or country roads.

National highways, following approximately the routing of the old highway system, will radiate from Peking to different provincial capitals, Mongolia, Tsing Hai, Thibet, important commercial ports, and places of military importance. These are to be built and maintained solely by the Central Government.

Provincial highways will start from provincial capitals to different cities and large towns in the provinces and also connect up with the national highways. These roads are to be improved and maintained solely by the Central Government.

Country roads are to be built according to local needs.

The proposed system is to form a net work of national highways. National and provincial highways are to be built first, so that they may form the trunk lines, while the district and country roads will be built later.

As the Government is constituted at present, all public construction, with the exception of national highways which come under the Ministry of Communication, is in charge of the Ministry of Interior. At the same time, the laying out of these highways will affect the movements of troops. So the problem is a complex one. Unless a special Bureau called the National Civil Engineering Bureau with a number of branches in the provinces for the purpose be created, the carrying-out of this plan will meet with tremendous difficulties. In the organization of this Bureau, foreign experts and returned students with technical knowledge and experience will be engaged as chief and assistant engineers, so that the whole system may be carefully worked out, standards adopted and estimates made for all classes of highways. As regards the use of private properties, the encouragement of local improvements and the division of responsibilities between the Central and local governments, special laws will be passed to regulate them.

The National Civil Engineering Bureau having been outlined, the next thing to be considered is the organization of the engineering corps. It is intended that in the formation of these engineering corps, disbanded soldiers will be employed, so that they may be

prevented from doing mischief and withal their labor turned to economic account. One of the reasons why Emperor Chin Shih-huang (246-210 B.D.) built the Great Wall and Emperor Sui Yang-ti (605-616 A.D.) the Grand Canal-two monuments of labor at which the western world have been marvelling was their desire to utilize the labor of their soldiers ere they became a threatening factor to the peace of the country. In our disbandment scheme, we propose to divert a part of the disbanded soldiers into this line of work.

According to our plan, the engineering unit will be the regiment which will be composed of about 500 men including the surveying, engineering and construction portion. Instruction will be given them in elementary surveying, designing and construction. In the circuit wherein the regiments are located, the intendent of "taoyin" will act as the supervisory official who has charge of all administrative matters relating to highways. In matters affecting the use of private properties the encouragement of local cooperation on the part of the gentry, the settlement of claims in cases of disputes, etc., he will be assisted by magistrates under his control. Also he will act as paymaster. In the assignment of duties, the regiment takes orders direct from the sub-bureau of highways established in the province. In the field, the laborers work under the direction of an engineer attached to the regiment; otherwise they will be controlled by military officers of the lower rank such as majors, captains, lieutenants, etc. who have left the army and received permission from

the Ministry of War to join this service. In addition to the matter of control, the officers of the regiment will have to instruct their laborers in regard to their duties and responsibilities, and to help out in general matters concerning the regiment and its work. As regards the engineers, they will be engaged by the National Civil Engineering Bureau, and will work under the direction of the Chief Engineer in accordance with plans which will have been decided upon.

An Engineering regiment will consist of the following persons:-

1 major	9 carpenters
1 chief secretary	9 blacksmiths
1 engineer	9 masons
1 secretary and interpreter	9 bricklayers
48 armed guards	6 miscellaneous laborers
1 chief surveyor	4 service-men
8 assistant surveyors	3 captains (of laborers)
20 helpers	30 sergeants (of laborers)
1 head foreman	330 laborers
1 secretary	30 other service men
4 foremen	

Total 508 men.

Equipment

Tents and cooking utensils, etc.

Spades and shovels, etc.

Baskets, ropes, etc.

Blacksmith's tools.

Carpenters' tools, etc.

Masons' tools, etc.

Surveying instruments

Light railroad outfits

Road rollers

Lifting equipment

Pumps, etc.

Ammunition for armed guards

Military telephones, etc.

Sanitary supplies and equipment

If the above scheme is carried out, about 400 regiments or approximately 200,000 disbanded soldiers can be utilized in highway construction, since it is the plan to place 4 regiments or 2032 men in each of the 94 circuits in the country. When the highways are built, every part of the country will become accessible. Not only will travelling be free and easy, but local commerce and industry will thrive, and the social and political life of the people will improve which cannot but bring blessings to the people of this country directly and increase the welfare of mankind indirectly. As the necessity for a system of roads and highways like this is extremely urgent, and as it will be some little time before national revenues can be appropriated for improvements of this kind, it is our intention to negotiate a foreign loan from time to time based on the actual needs to put this national scheme through.

Number of copies..... 3

Copy No 1

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.

2055-272

SUBJECT.....SCHEME FOR MONGOLIAN INDEPENDENCE

REC'D, M. I. B., D. C. JUN 11 1919

FROM.....U.A.....

NO.....2051.....DATE. April 25, . . 1919.

REPLYING TO NO.....DATE.....1919.

Noted D. W. [illegible] 5

1. Recently the Chinese press has given a great deal of emphasis to rumors regarding the reported movement of Semeonoff to create an independent Mongolian Government formed of Zaibaikal Cossaks, Buriats and Mongolians. Semeonoff undoubtedly did attempt to form a state composed of Zaibaikal Cossacks and native Buriats in the region of Tchita, but that there was any probability of this state extending its influences into Mongolia or Thibet is pure fiction. It is undoubtedly true that for six months Semeonoff had an agent named Badmashopesf, an ex-Russian officer who is a Buriat, employed at Urga endeavoring to interest the Living Buddha in his project, but the living Buddha (Hutuktu) and his Ministers have declined to entertain the idea of joining such a Federation as they are perfectly satisfied with their present condition of semi independence guaranteed by Russia and China. My informants directly from Urga state that the report that the Mongolians were mobilizing against China is absolutely untrue. The Mongolians have about one thousand men patroling their northern frontiers, but this is the usual number and no additional mobilizations have been effected.

2. Upon very reliable information from Urga, I have been informed that a Colonel Matsui has been in that neighborhood for nearly a year. He arrived there with a number of Japanese Secret Service Officers, most of whom have recently been recalled. It appears that Matsui has little or no standing with the Mongolians, and that the Mongolian Minister of War kept Matsui waiting for several hours in the tent in front of his house before Matsui could obtain a five minute conversation. [redacted] In the first part of March, Colonel Matsui approached Sianoyin, the Mongolian Premier and Foreign Minister with a proposal that the Mongolians should send a delegation to the Peace Conference at Paris, the Japanese offering to chaperone and advise them and act as interpreters, as well as finance the excursion. The Mongolians rejected this proposal and stated that they had no interest whatever in it. It is true that Chen Yi, the Chinese resident at Urga, has been sending frantic cables to Peking suggesting that Outer Mongolia was infested with Bolsheviks, and urging that Chinese troops be immediately despatched to Mongolia for the proper protection of China's frontiers.

3. I am convinced that all of these moves are an attempt on the part of the officials of the War

Participation Bureau, encouraged by their Japanese friends to create a situation, or rather to lead Chinese civil officials to believe that there is a need for the troops of the War Participation Bureau in Mongolia and on Chinese frontiers that does not actually exist, the idea being that this will prevent the disbandment of g the troops of the War Participation Bureau. The Chinese Delegates to the Internal Peace Conference to Shanghai have all determined that a proper settlement of the conditions in China cannot be obtained until the War Participation Bureau troops are demobilised. These War Participation Bureau troops are financed and equipped by the Japanese, and these troops are a main source of Japanese strength in north China. By its influences, this small group of unscrupulous Chinese officials, aided by their equally unscrupulous Japanese friends are signing treaties and selling concessions that would otherwise be impossible. As an excuse to prevent the disbandment of the War participation Bureau and its army, much has been made of the Mongolian movement and of the Bolshevik menace. The Chinese are easily excited by such rumors as spread of Bolshevism, and insurrection in Mongolia, but are really very badly informed regarding the fundamental principles of Bolshevism, its causes, effects, etc.

4. There is little doubt but that China may be used by Bolshevik agents as a refuge where they can organize for work in other countries, but the danger to China from Bolshevism is very limited. A member of the Russian Legation informed me that he had it direct from a Bolshevik agent in Shanghai that his efforts to spread Bolshevism in China were useless, and were having no effect. Lack of labor organizations and class antagonisms make the spread of Bolshevism almost impossible among the Chinese. The report that Inner Mongolia is infested with bandits is no less inaccurate. Probably there are a few scattered bandits or petty thieves in Mongolia, as there are all over Asia, but the reports that bandits are in considerable strength is absolutely without foundation. The Urga road, which is the first gathering point of every gang of thieves which get together in Inner Mongolia, is absolutely clear. Chinese and foreigners have travelled it all winter without interferance. The Living Buddha, (Hutuktu) has never been to Tchita, and has not left Urga for several years. He is almost entirely blind, and is unable to travel. The Mongolian Premier and Foreign Minister, Sianoyin Kan, has not been out of Urga all winter.

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COPY NO. 1

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch

SUBJECT . . PROMINENT CHINESE OFFICIALS NOTED; M.I.2.

. . . . . JUN 11 1919. 2055-274

FROM . . . . M.A. . . . . WAR DEPARTMENT

NO. . . .2045. . . . . DATE . . April 30,. . . 1919.

REPLYING TO NO.. . . .. .DATE . . . . . .1919.

Noted D. W. P., M. I.-5
Maj J. M. Thompson,
M. I. 2.

MI2

TSEN TSUN-HSUAN (岑春煊)alias Yun-kia (雲階) native of Kwangsi; aged 62. Present post - Chief Administrative Councillor of the Military Government (軍政府主席總裁). Past history - One of the most favorite ministers of the late Empress Dowager Hsu Hsi (慈禧), later made Kungpao (宮保) for his loyalty toward the Emperor and the Empress-Dowager during the Boxer Trouble, afterwards appointed Viceroy of Kwangtung and Kwangsi (兩廣總督). When Yuan Shih-kai attempted to make himself Emperor, Tsen headed the Republican Army as Generalissimo of the Military Council at Chaoching, Kwangtung (肇慶軍務院大元帥). He arrived inCanton this time in April of 1918, after Sun Wen failed to handle the military elements of the South.

LU YUNG-ting (陸榮廷),alias Kan-ching (幹卿)native of Kwangsi; aged 62. Present post - Administrative Councillor, and concurrently Tuchun of Kwangsi. An ex-bandit chieftain of Kwangsi, without having received any military training; a sub-officer under Tsen Tsun-Hsuan during the Tsing Dynasty. Made Inspector-General of Kwangtung and Kwangsi(兩廣巡閱使)by Yuan Shih-kai. Followed Tsen Tsun-hsuan in the uprise against Yuan in 1916. Lung Chi Kuang married his sister. Black flag leader in 1890. Took part in Chinese defeat of the French at Langsun. Commanded an expedition under Governor General Ts'en Ch'un Hsuan against bandits in Kwangsi in 1903. General Commanding at Lungchow January 1908. Tuchun of Kwangsi November 1911. Declared independence of Kwangsi March 15, 1916. Tuchun of Kwangtung - took over seals from Lung Chi Kuang at Shiuhing Sept.25,1916. Title of Yao Wu Field Marshal 1915. Inspector General of the two Kwangs 1916. Superseded in latter office by Mandate of November 8, 1917. Given title of Ning Wei Field Marshall. Appointed by Canton Military Governor November 8, 1917 to be one of administrative Directors of Supreme Council of Generals.

WU TING-fang (伍廷芳)alias Shuh-yung (秩庸)native of Kwangtung; aged 78. Present post - Administrative Councillor, concurrently Minister of Foreign Affairs of the South(軍政府外交總長). Past history- Educated in England; Chinese Judge at Hongkong; Chinese Minister to the United States; Chief Representative of the Republican Army to the First Internal Peace Convention of 1911. Sometime Minister of Foreign Affairs in Peking; Acting Premier under President Li Yuan-hung; resigned for refusing to countersign the mandate ordering the dissolution of the Parliament; Arrived in Canton in the spring of 1918 with the late Admiral Chen Pih-kwan (程璧光).

Report #2043.

TANG SHAO-YI(唐紹儀)alias Shou-chuan (少川)native of Kwangtung; aged 50-60. Present post - Administrative Councillor: Chief Representative of the Military Government to the present Internal Peace Conference. Past history - Educated in America; Custom clerk in Chemulpo, Korea;Director of Customs of Tientsin; Chinese Minister to the United States; Governor of Mukden under the viceroyship of Hsu Shi-chang in the Tsing Dynasty; Chief representative of the Imperial Government to the Internal Peace Convention of 1911; First Premier under President Yuan Shih-kai.

TANG CHI-YAO - (唐繼堯) - alias Ming-kan (蔭膚) - native of Yunnan; aged 51. Present post - Administrative Councillor, Tuchun and Shengchang of Yunnan; Chief Commander of the Allied Forces of Yunnan, Kweichow and Szechuan (滇黔川聯軍總司令); Graduate from the Military School of Yunnan and from Japan.

LING PAO-YI - (林葆懌) - alias Yue-ching (悅卿) - native of Fukien; aged 48. Present post - Administrative Councillor, Minister of Navy of the South, and Tuchun of Fukien. Past history - Graduate from the Fukien Naval College; Former Commander of the Nanyang 2nd Squadron, and 2nd Commander of the Chinese Navy with headquarters at Shanghai (南洋第二艦隊總司令,上海海軍司令部副司令)Arrived in Canton with his fleet in January of 1918.

LIU HSIEN-HSI - (劉顯世) - alias Yu-tsur (汝舟) - native of _____ : Present post - Tuchun of Kweichow.

LI LIEH-CHUN - (李烈鈞) - alias Shieh-ho (協和) - native of Kiangsi; aged 39. Present post - General Chief of Staff of the Military Government, Commander in Chief of the Allied Forces of Yunnan, ~~Kwangsi~~ Kwantung, and Kwangsi (軍政府參謀總長,滇粵桂聯軍總司令). Graduate from Japan, Major-General of the Tsing Dynasty, Tutuh of Kiangsi 1911-1912. Arrived in Canton in the autumn of 1917.

HU HAN-MING - (胡漢民) - alias Tsai-tong (展堂) - native of Kwangtung; aged 41. Present post - Peace Delegate to the Internal Peace Conference, representing Sun Wen. Military graduate from Japan, Tutuh of Kwangtung 1910-1911. Arrived in Canton in December 1918.

CHEN CHUAN-MING - (陳炯明) - alias Kin-chen (競存) - native of Kwangtung; aged 43. Present post - Chief Commander of the Kwangtung for Fukien Relief (援閩粵軍總司令); High Commissioner to Fukien (福建宣撫使). Military graduate from Japan, Tutuh of Kwangtung 1911-1912.

TANG CHI-yu - (唐繼虞) - alias Ping-kan (萍膚) - native of Yunnan; aged 26. Present post - Chief of Staff to Yunnan Tuchunfu. Military graduate from Yunnan and Japan. Arrived in Canton in December 1918.

WU CHAO-CHU - (伍朝樞) - alias Ti-yun (梯雲) - native of Kwangtung; aged 32. Peace Delegate of China to the European Peace Conference. Chief Secretary to the Military Government (軍政府總務廳廳長). Vice-Minister of Foreign Affairs in the South; sometime Vice-Minister of Foreign Affairs in Peking; Law graduate from England; Arrived in Canton in January of 1918.

Report 2045.

WU YUNG-HSIN - (吳榮新) - alias Nih-tsoo (日初) - native of Kwangsi; aged 68. Present post - Tuchun of Kwangtung, Minister of War. An ex-soldier, under Tsen Tsun-Hsuan, with no military training; former Military Defense Commissioner of Kweiling, and later of Kwangwei (桂林鎮守使,廣惠鎮守使) - at one time Division Commander in Kwangsi; Arrived in Canton end of 1917.

WU CHING-LIEN - (吳景濂) - alias Lien-pah (蓮伯) - native of Chihli; aged 53. Present post - Speaker of the House of Representatives; Graduate from the Peking High Normal School (北京高等師範學校); Arrived in Canton in the autumn of 1917.

CHU FU-CHEN - (褚輔成) - alias Wei-sung (慧僧) - native of Chekiang; aged 46. Present post - Second Speaker of the House of Representatives; returned student from Japan; Civil Administrator of Chekiang. Arrived in Canton in the autumn of 1917.

HSU CHIEN - (徐謙) - alias Chi-lung (季龍) - native of Anhui; aged 45. Present post - Minister of Law of the South; Sun Wen's prepresentative in the Military Counsil; Law graduate from the Tsin Hsi Kwen of Peking (進士館法科畢業). Former Vice-minister of Law in Peking. Arrived in Canton on August 22, 1918; lately called back to Shanghai by Sun Wen.

LING SUNG - (林森) - alias Che-tsao (子超) - native of Fukien; aged 40. Present post - Speaker of the Senate; returned student from Japan; Foreign Minister under Sun Wen's Military Administration (1918). Arrived in Canton in the autumn of 1917.

LING HU - (林虎) - alias Yin-tsin (隱青) - native of Kwangsi; aged 33. Present post - Vice-Minister of War, and Second Commander of the Kwangtung National Protection Army. Returned student from Japan; at one time Division Commander in Kiangsi. Arrived in Canton in the autumn of 1917.

MA CHI - (馬濟) - alias Sheng-tong (慎堂) - native of Kwangsi; aged 34. Present post - Chief Commander of the Allied Forces of Hunan and Kwangsi (湘桂聯軍總司令). Returned student from Japan; sometime Commander of River Defence of Kwangtung (廣東江防司令).

LI CHUNG-HUANG - (李宗黃) - alias Pah-yin (伯英) - native of Yunnan; aged 33. Present post - Military Representative of Tang Chi-yao, residing at Shanghai (雲南駐滬軍事代表). Returned student from Japan, Staff Officer of Yunnan; Arrived in Canton in January of 1919.

LI KENG-YUAN - (李根源) - alias Yin-chien (印泉) - native of Yunnan; aged 48. Present post - Chief Commander of the Yunnan Expeditionary Force (滇軍總司令). Returned student from Japan. Civil Governor of Shensi during Yuan Shih-kai's regime; President of the Yunnan Military College. Arrived in Canton in the spring of 1918.

LU KUNG-WANG - (呂公望) - alias Tsai-tse (載之) - native of Chekiang; aged 37. Present post- High Military Commissioner to Chekiang (浙江宣慰使); Superintendent of Frontier Defence of Fukien and Chekiang, and Chief Commander of the Chekiang Relief Army (閩浙邊防督辦援浙總司令) Returned student from Japan. Military Defence Commissioner of Kiashing, Huchow (嘉湖鎮守使) 1913-1914; Tuchun of Chekiang 1915.

WANG CHAO-MING - (汪兆銘) - alias Ching-wei (精衛) - native of Chekiang; aged 38. Returned student from Japan and America. Tried to assassinate the x Prince Regent. Peace Delegate of the Republican Army to the First Internal Peace Conference in 1911. Holding no official post at present.

CHEN HUANG - (成棟) - alias Kuo-tsai (谷采) - native of Kiangsi; aged 40. Present post _____; Returned student from Japan; sometime Taoyin of Lingnan (嶺南道尹) and Commander of the Yunnan Army (滇軍司令). Arrived in Canton in the autumn of 1917.

MIAO CHIA-SHOU - (繆嘉壽) - alias Yen-tse (延之) - native of Yunnan; aged 38. Present post - Peace Delegate to the Internal Peace Conference, representing Tang Chi-yao. Returned student from Japan. Arrived in Canton end of 1918.

TSANG SHIH-TSA - (章士釗) - alias Yin-nien (行嚴) - native of Hunan; aged 41. Present post - Chief Secretary to the Military Government (軍政府秘書廳廳長). Senator -;returned student from England.

TSEN NIEN - (曾彥) - alias Chi-heng (其衡) - native of Kwangsi; aged 30. Present post - Peace Delegate representing Kwangsi. Senator; returned student from Japan; sometime Financial Commissioner of Kwangtung (財政廳廳長) and Superivser of Military Supplies and Arms of Chaoching (肇慶軍務餉械局局長). Arrived in Canton at the end of 1917.

PANG YUNG-YI - (彭允彝) - alias Tsing-jen (靜仁) - native of Hunan; aged 47. Present post - Peace Delegate representing Hunan, Secretary to the Military Government. Senator. Returned student from Japan. Arrived in Canton in the spring of 1918.

KUO TSUNG-SUN - (郭椿森) - alias Sung-nien (松年) - native of Kwangtung; aged 34. Present post - Peace Delegate representing Kwangtung, Chief of Staff to the Kwangtung Tuchunfu. Returned student from Japan. Arrived in Canton end of 1917.

WANG PAK-CHUAN - (王伯群) - alias Pah-ping (伯平) - native of Kweichow; aged ? ; Peace Delegate representing Kweichow. Sometime Taoyin in Kweichow.

LIU KWAN-LIEH - (劉光烈) - alias _____; native of Szechuen; aged ?. Peace Delegate representing Szechuen.

LI SHUH-YIH - (李述膺) - alias Lung-mang (龍門) - native of Shensi; aged ?; Peace Delegate representing Shensi.

NYNU MING-LAI - (饒鳴藜) - alias Tse-ho (子和) native of Fukien; aged 34. Peace Delegate representing the Navy, Chief of Staff of the Naval Quarters. Graduate from the Chefoo Naval College. Arrived in Canton in January 1918.

KIANG TSUNG-KWEI - (蔣尊簋) - alias Pah-chi (伯器)- native of Chekiang; aged 39. Second Chief of Staff (參謀次長). Returned student from Japan. Tutuh of Kwangtung, and later of Chekiang in 1911. A major-general in Kwangtung during the Tsing Dynasty. Arrived in Canton end of 1917.

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OFFICIALS OF YUNNANFU.

1.
Civil Governor - (省長) - TANG CHI-YAO - native of Yunnan; aged 31; returned student from Japan. Past History - Battalion Commander (營長); Superintendent and Principal of the Military College of Yunnan (講武堂監督校長); Commander of Defence Guards (衛戍司令), and Tuchun of Kweichow.

(a) Chief of the Bureau of Administration (政務廳長) YANG FU- CHANG (楊福璋)- native of Chekiang; informal name Yah-sung (霞生);aged 60. Past history - Chief of Police during the later part of the Tsing Dynasty, Chief Secretary to the Military Governor, and Civil Governor of Yunnan in 1911.

(b) Secretary of General Affairs (總務科長 - LU PEN-CHEN (陸邦純).

(c) Secretary of Industry (實業科長) - Li Tse-yuan (李卓元), informal name Lieh-sung (烈燊) - native of Kweichow; aged 32; formerly Head of the Department of Labor and Commerce of the Industrial Bureau (實業司工商科科長).

(d) Secretary of Education (教育科長) - Chien Yung-chung (錢用中) informal name Ping-kia (平階) - native of Yunnan; aged 50. Past history - A scholar of the second degree (M.A.) of the old regime, sheriff of a Hsien (知縣) and principal of the Yunnan Middle School.

(e) Secretary of Interior (內務科長) - Yih Ta-ling (葉大林). Informal name Ning-kung (寧恭) - nativeof Chekiang; aged 50. Past history - Sheriff of Quenmin Hsien (昆明縣知縣) of the Tsing Dynasty and once in the Salt Service. (鹽提舉).

2. Commissioner of Finance (財政廳長 - WU KUEN (吳琨)- informal name Shih-sung (石生) - native of Yunnan; aged 37. Past history - Hanling (翰林); returned student from Japan; Director of the Yunnan-Szechuen Railway (滇蜀鉄路總辦), and Director of the Kuchiu Tin Mining Company (箇旧錫務公司總辦.

3. Commissioner of Foreign Affairs.(交涉司), concurrently Superintendent of Customs of Mengtze (蒙自關監督)- Hsu Pao-chuan (徐寶權) informal name Tse-tsung (之琤)- native of Yunnan; aged 33. Past history - A scholar of the First Grade of the old regime (附生) Returned student from Japan, Sheriff of Anmi (阿迷縣), Sheriff of Kuchiu (箇旧縣), and Vice-superintending-director of Hokow (河口副督辦). At present on leave of mourning.

4. Commissioner of Salt Transportation. (鹽運使) - YIU-YUN-LUNG - (由雲龍) - informal name Kwei-chi (蕢舉) - native of Yunnan; aged 40. Past history - Scholar of the Second Degree (M.A.). Returned student from Japan and America, Chief Secretary to the Military Governor, Commissioner of Education, and Director of the Museum (軍署秘書,學政司,博物館長).

5. Superintendent of Telegraphs. (電报局監督 - WU TSE-YU (吳子喻). Returned student from America.

6. Director of the Yunnan Mint (造幣廠) - Tsai Pin-chung (詹秉忠). Informal name Che-tsa (質斋) - native of Yunnan; aged 33. Graduate from the Military Training School, and Chief Inspector (檢查科長).

7. Chief of Likin (釐金總局長) - SHU NGE-SUNG - (許俄生) Native of Chekiang.

8. Managing Director of the Government Printing House (官印局長) - TSEN CHE-CHANG (曾質章).

9. Director of the Fu-tien Bank (富滇銀行行長) - KU NYAN-SHAN (顧仰山) - a Hanlin of the Tsing Dynasty.

10. Director of Conservancy (水利局局長) - YI UN-SIH (殷恩錫) Informal name Tsin-hou (晋侯), native of Yunnan.

11. Chief Justice of the High Judiciary Court (高等審判所所長) TANG YU-TSAI (唐有在). Informal name Chi-yu (啟寓); native of Hunan; aged 40.

12. Chief Justice of the High Court (高等檢察所所長)- YIH [redacted] (易文煒), informal name Chung-kao (從皐) - native of Kweichow; aged 35. Returned student from Japan.

13. Mengtze Taoyin (蒙自道尹) - Chin Kwan-ti (秦光第) - native of Yunnan. Formerly Chief of the Bureau of Military Supplies, and Chief of the Bureau of Military Arms. (軍需局長,軍械局長).

14. Tengyueh Taoyin (騰越道尹 - YIU SHEU-SI (由瑞西) - native of Yunnan. Returned student from Japan.

15. Chaotung Taoyin (昭通道尹) - Vacant.

Report #2045.

MILITARY OFFICERS OF YUNNAN.

1. Military Governor (督軍) - TANG CHI-YAO. For particulars, see above.

(a) Chief Secretary (秘書廳長) - CHOW CHUNG-YO (周鍾嶽). Informal name - Sung-fu ( ). Native of Yunnan; aged 40. Scholar of the Second Degree.

(b) Chief of Staff. (參謀長) - TANG CHI-YU. (See above details.

1. Head of the 1st Department (第一部部長)- MA CHUNG (馬駿). Informal name Pah-an (伯安) - Native of Yunnan; aged 35; a Mohammedan. Past history - Graduate of the Military Primary School and from the Military Officers' College of Hupeh (湖北軍官學校); a sub-officer of the 73rd Regiment (七十三標管隊官); Chief of the Department of Military Affairs and Chief of Military Supplies of Kweichow (貴州軍務軍需課長), Commander of the 12th Regiment, and Commander of the 3rd Brigade (十二團長,第二旅旅長).

2. Head of the 2nd Department (第二部部長) YANG TI-TSEN - (楊體政). Informal name Shou-hsi (少希). Native of Yunnan; aged 33. Graduate from the Military College of Yunnan (講武堂). A sub-officer in the Kweichow Tuchunfu, and Commander of the 4th Mixed Brigade (貴州督軍署副官,第四混成旅旅長).

3. Head of the 3rd Department (第三部部長) LI PIN-YANG (李秉楊). Informal name Sun-an (卅庵).

(c) Chief of Military Affairs (軍務課長).

(d) Chief of Military Supplies (軍需課長) KU PIN-KYUN (顧秉鈞). Informal name HENG-TSA (衡齋).

(e) Chief of Martial Law (軍法課長) - HUANG HSI-CHENG (黃希忠).

(f) Chief Military Surgeon (軍醫課長)- CHOW YU-HUI (周汝為). Informal name Cheng-hsien (仲宣). Native of Yunnan; aged 40.

(g) Chief of the Bureau of Military Horses (軍馬所長) Chu Yo-lau (朱鶴樓). Informal name Yu-ling ( ). Native of Yunnan; aged 40.

(h) Chief of the Bureau for Putting down Tufeis (剿匪事務局局長) LI PAH-KUN (李伯根). Informal name Dah-fu (達夫). Native of Yunnan; aged 45. Returned student from Japan. Principal of the Military Primary School, Brigadier General (旅長), and Chief of Staff to the 2nd Yunnan Army in Szechuen (四川滇軍第二軍參謀長).

2. Chief of Police (警察廳長) - CHEN WEI-KUN (陳維庚). Informal name Yin-sung (蔭生). Native of Yunnan; aged 30; Graduate from Yunnan Military College (講武堂), and Commander of the Police and Defence Corps (警衛團長).

5. Commander of the Gendarms (憲兵司令) - CHING KAI-WEN (鄭開文). Informal name Ping-yuan (炳然). Native of Yunnan; aged 45. At present also principal of the Yunnan Military College. Returned student from Japan, and at one time principal of the Kwangtung Military College (廣東講武堂堂長).

4. Director of the Bureau of Military Arms (軍械局長). TAO [illegible]-tang (陶鳳堂). Informal name Yi-ting (儀亭).

5. Director of the Bureau of Military Supplies (軍需局長) LI HUNG-LUN (李鴻倫).

6. Director of the Arsenal (兵工廠長) -CHAO SUN (趙伸). Informal name Chih-tse (直斋).

7. CHIEF COUNSELLOR OF THE TUCHUN (軍署總參議) HUANG YU-CHEN (黃毓成). Informal name Fei-chang (斐章). Native of Yunnan. Age 35. Returned student from Japan, Commander of the 4th Battalion (第四營營長); Chief Commander of the Advancing Army (挺進軍總司令).

8. Chief of Aide-de-Camp (軍署副官長)concurrently Officer in charge of telephone in the Tuchunfu (軍署電話局局長) TAO YU-TING (陶玉亭). Graduate from the Kwangtung Military College for Officers (廣東將弁學校畢業). Former Director of the Mint (造幣廠長).

9. Director of the Bureau for Raising Military Funds (籌餉局長) HUANG SHIH (黃石). Informal name Tse-shih (子石). Native of Yunnan. Age 40. Former Chief of Police.

10. Commander of the First Section of Defense Guards (衛戍第一區司令) - SUN YUNG-AN (孫永安). Age 38. Returned student from Japan; a Mohammedan; once Brigadier-General, and Commander of Gendarme (旅長憲兵司令). Stationed at Talifu (大理府).

11. Commander of the Second Section (第二區司令). MIAO KIA-SHOU (繆嘉壽). Informal name Yen-tse (延之). Native of Yunnan; age 35. Returned student from Japan. At present on leave. Stationed at Mengtze. (蒙自).

12. Commander of the Third Section (第三區司令) - TANG CHI-YU (唐繼虞). Particulars given already. Stationed at Yunnanfu.

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OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch

NOTED
NOV 20 1919
M. I. D.

WAR DEPARTMENT

SUBJECT POSHAN. (Shantung Province. 36.43.N. 117.53 E.).

From H.A. Political

No. 2194 *Date* September 17, 1919. *19*

Replying to No. *Date* *19*

"59 - Foreign"

REC'D, M. I. B., O. C. S NOV 20 1919

There are about 1,300 Japanese (male and female) at Poshan at present.

There are 56 Japanese firms, 1 school and the Japanese Camp and also 97 private residences all settled at Poshan in the last 3 years. The people of the private residences mostly are the employees of mining companies and other firms, and also a lot of opium dealers or connections of robbers.

The Japanese firms mostly deal in coal and other traffic in connection with that industry.

Japanese houses outside the city wall are mostly built by the Jap. The border of the stream opposite the depot gate is Chinese public land, but is being levelled up and occupied by the Railway company, also as Japanese settlement, and is being sublet to the Japanese firms to put up buildings themselves. There are three big Japanese firms which have also rented about 70 mu of private land on the terms of Leases of private land. There are 22 Japanese buildings being built on the railway land. It is rumored that a lot of Japanese buildings will be built on the above land very shortly.

The terms of the Leases, as already stated, are in the terms of Leases of private land.

The private land is leased mostly by force to the Japanese. The land in front of our east wall was taken by the railway company for nothing, and sublet to Tungho to build the office of Tungho. The land behind our office was also taken by force by the Railway Company with a small payment (I cannot find the proper amount, but heard from the natives that the Railway Company only paid 400 Tiao of cash "about $160.00", for the whole piece of land - about 10 mu), and built the houses for Japanese soldiers and coal yards of Japanese firms.

The land tax for Chinese Government has to be paid by the old landlord and nothing is paid by the leaseholders. The leaseholder agrees to return the land to the old landlord at the end of the lease (asper the fixed period of the lease). I do not think nor believe that the Japanese are to

Binding Margin.

*SUBJECT*_____

From H.A.

No. 2194 *Date* _____, *19*

Replying to No. _____ *Date* _____, *19*

honestly return the land to the old landlord at the end of the lease, but I am sure that the old landlord will pay the land tax for them permanently. The present price of land in the leased places is about $200 to $250 per mu. The place behind the station is worth about $300 to $400 per mu. If the farmer sold his land, he need not pay any land tax, but now he is to pay the land tax for the leaseholder every year, because the farmer expects the land to be returned at the end of the lease.

Mostly of the mines of the entire Poshan district have the connections with the Japanese. Particulars in the Details of Mines.

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DETAILS OF JAPANESE FIRMS OF POSHAN.

Name of Firms	Business Imports	Exports	Site	Houses.
Hwa Cheng		Coal & coke	City	Rented fr.China.
You Ho		Coal	"	" " "
Hwa Tai	Tailor	-	"	" " "
Yee Chong	-	Brick kilin	"	" " city officials.
Tung Yang	-	Mining Co.	"	" fr.city officials.
Poshan Co.	"	Coal	"	" fr.China.
Tsung Ya	Fish	"	"	" " "
Jeo Ya Tso	Hotel	-	"	" " "
Hsing You	-	Coal	"	" " "
Tai Chong	-	Coal	"	" " "
Shih Tao Lo	Hotel	"	"	" " "
Chien Tai	-	Mining Co.	"	" " "
Fu Shun	-	Coal	"	" " "
Tai Sun	Rep: Jap: Bond	Coal	"	" " "
Feng Sheng	-	Coal	"	" " "
Transporting Co.	in charge of all coolies.		"	" " "
Tien Tai	-	Coal	"	" " "
San Chin	-	Mining Co.	"	" " "
Ho Sheng	"	Coal	"	" " "
Tai Lee	-	Coal	"	" " "
Chin Chin	Agent of Toa	-	"	" " "
San Fu	Medicine	-	"	" " "
Fu Lung	-	Mining Co.		

Binding Margin

*SUBJECT*_____

From H.A.

No. 2194 *Date* _____, 19

Replying to No. _____ *Date* _____, 19

Name of Firms	Business		Site	Houses.	
	Imports	Exports			
Kwang Tsuen	Contractor	-	City	Rented fr.	China.
Shar Tien	Tailor	-	"	"	"
Kiang Kow	Brick Layer & carpenter shop		"	"	"
Kiu Mei Tsu	-	Mining Co.	"	"	"
Ching Sheng	-	Coal	"	"	"
Po Tsan	-	Native products	"	"	"
San Shen	-	Coal	"	"	"
Tai Cheng	-	Lime & Bricks	"	"	"
Tai Cheng Tsu	"	Coke	"	"	"
Tien Lee	-	Mining Co.	"	"	"
Shao Shou Shau	Japanese School.		"	"	"
Shou Tou	Barber	-	Ry.Land	Owned	Bldg.
Y Tsun	Fish	-	" "	"	"
Chang Pan Lo	Bar	-	" "	"	"
Chin Tien	Grocery	-	" "	"	"
Ta Ko	" & Medicine	"	" "	"	"
Japanese Camp	-	-	" "	"	"
San Yih	-	Lime K.& water pipe	" "	"	"
Lin Mo	-	Coal & cocoons	" "	"	"
Yee Chong	-	Brick kilin	" "	"	"
Tsen mei Jen Tze	-	Coal brokers	" "	"	"
Poshan Tsan	Hotel	-	" "	"	"
Water Pipe & Fire Brick Kiln			Private land	"	"
Tsung Tsun Tsu	-	Coke kilin	" "	"	"
Tung Ho	-	Mining Co.	" "	"	"
Hospital of Tung Ho (on Hill)		-	" "	"	"
Shih Tao Lo	Hotel	-	Ry.Land	"	"
Mo Tien	Broker	Broker	" "	"	"
Po Shiang		"	" "	"	"
Chu Yu	Girl	-	" "	"	"
To Chin	Clock & watches	-	" "	"	"
A. No.3	Engineer of house building		" "	"	"
Mo Tsun	girl		" "	"	"
Fu Chong	-	Coal	Near Stn.	Rented bldg. fr.Chinese.	
San Tung Co.	Grocery	Native products.	Ry. Land	Owned bldg.	

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Binding Margin

*SUBJECT*_____

From H.A.

No. 2194 *Date* _____, *19*

Replying to No. _____ *Date* _____, *19*

TERMS OF LEASES OF PRIVATE LAND.

TUNG-HO leased 3 pieces of private land on the Hill (behind our depot northwest): 1 about 6 mu at the rate of 2000 Tiao of cash (about $800) for 30 years: 1 about 9 mu at the rate of 300 Tiao of cash (about $1,200 for 35 years: 1 about 13 mu at the rate of 4,000 Tiao of cash (about $1,600 for 25 years.

THE JAPANESE FIRE BRICK & WATER PIPE KILN were leased 4 pieces of private land at north of the hill and north west of station: 1 about 3 mu at the rate of 1500 TIAO of cash (about $600) for 20 years: 1 about 7 mu at the rate of 1000 Tiao of cash (about $400) for 20 years: 1 about 4 mu at the rate of 800 Tiao of cash (about $320) for 20 years.

TSUNG TSUN TSU COKE KILN leased 2 pieces of private land behind the station: 1 about 6 mu at the rate of 2000 Tiao of cash (about $800) for 25 years: 1 about 3 mu at the rate of 800 Tiao of cash (about $320) for 20 years.

DETAILS OF MINES.

The Tung Yang Mining Co. has shares in 2 pits at Ching Lung San with the Chinese firm. All output to be taken by the Tung Yang Mining Co. only because the Tung Yang Mining Co. have paid a part of the capital for the pits.

San Chin Mining Co. controlling 2 mines.

(1) One at Ta Huang Te belonging to the Chinese firm Messrs. Huo Hsin Hoe which has not sufficient capital and borrowed $80,000 from San Chin without any interest. All output of coal is to be taken by San Chin at a special price. The Huo Hsin Hoe has not the power to sell any of their coal to other firms before sanctioned by San Chin Mining Co. But San Chin are agreed to advance any amount at any time to Huo Hsin Hoe on account of the output of coal. (I cannot find out the special price and terms of the agreement between San Chin and Huo Hsin Hoe).

(2) The second one at Fan Chai Chwang belongs to a Chinese named Ching Tze Ming. This mine is entirely controlled by San Chin. The entire output of coal (lump) being shipped

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*SUBJECT*_____

From H.A.

No. 2194 *Date* _____, 19

Replying to No. _____ *Date* _____, 19

to Tsingtao and the dust for making coke to Poshan, Tsingtao and Tsinanfu. It is very difficult to find the terms of the agreement between San Chin and Ching Tze Ming.

Fu Lung Mining Co. have 3 or 4 pits at a place about 6 li from station entirely controlled by Fu Lung, the colliery is in the name of Chinese who are employed by the firms.

Kiu Mei Tsu Mining Co. has 2 pits at the Ching Lung San upon exactly the same terms as Fu Lung.

Chien Tai Mining Co. have lent some thousand dollars to several small mines of Chinese and allow them to take a part of output at a special price. The coal of this firm is mostly coming to Tsinanfu.

Tien Lee Mining Co. has done exactly the same as Chien Tai Mining Co.

The Tung Ho Mining Co. is controlling the Huang Chai Ta Wah's mines - the best mines of Poshan. All mines at Huang Chai Ta Wah are entirely controlled by this firm Tung Ho. The entire putput of coal is shipped to Shanghai and Japan by them. The Hospital on the Hill is also under the control of this firm. The Mines are also in the name of a Chinese (could not find out the proper name of this Chinaman). But the natives say that the Tung Ho Co. spent about $250,000 to obtain the mines from the Chinese in the year before last.

Note: The above names appear Chinese, but the characters can be read as Japanese names and have a different pronunciation. These mines are to all intents and practical purposes controlled by the Japanese, and the output goes just where the Japanese wish it to go."

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APR 7 2053-344

SUBJECT: [redacted] PROVINCE, CHINA. WAR DEPARTMENT

From: M. I. COMBAT.

No. 2359. Date: December 28, 1937. 19

Replying to No. Date 19

13 - LOCATION.

The following report was received from a most reliable source in Anking, Anhwei, China.

R[illegible] 1937

ANKING (ANHWEI)

In the following report, the order of your outline of "suggested information that is of value" is followed.

1. Map of the City
The map of Anking submitted herewith is a sketch map only; and can not be relied upon for scaling off exact distances, sizes of compounds, size of buildings, etc. It is a map of the general lay out of the city, to approximate scale, and can be relied as a guide to the location of the places indicated thereon. This map was traced from a blue print in the office of the foreign postal Commissioner; and is the only available map of Anking we could find.

2. Map of the District coming under your observation
We submit the Commercial Press Map of Anhwei Province, which contains a small insert map of the district about Anking in the lower right hand corner.

3. Any information you yourself would deem necessary etc.
(a) Anking, because of the large number of public buildings and compounds, offers numbers places that would accomodate 100 or more men. In the list of such places given below, we have grouped them under the city block in which they are located. (Note, from the map, that the city is divided into 14 blocks)

Block 1		
	Government Girl's Normal School	200
	American Church Mission Compound	400
	Prefectural Middle School	300
	Taotai's Yamen	100
Block 2		
	Industrial Compound	200
	Telegraph Office	50
	Law Courts	200
Block 3		
	Athletic Field	200
	Main Police Station	200
Block 4		
	Law Schools	400
Block 5		
	China Inland Mission Compound	100
	Chinese Temples	200
	Industrial School	400
Block 6		

SUBJECT ANKING, ANHWEI PROVINCE, CHINA.

From H. A. COMBAT.

No. 2359. Date December 28th. 1919, 19

Replying to No. Date, 19

Block 6		
	Provincial Treasurer's Yamen	500
	Magistrate's Yamen	100
	Normal School	300
	Middle School	300
	Chinese Temple	100
Block 7		
	General Yamen	800
	Military Headquarters Yamen	200
Block 8		
	Civil Governers Yamen	200
	Industrial School	200
Block 9		
	Roman Catholic Mission Compound	300
	Electric Light Plant	200
	Local Prison	300
Block 10		
	Military Hospital (Chinese Temple)	200
	Chekiang Guild	100
Block 11		
	American Church Compound	100
	Temples	200
	Mohameden Mosque	100

This list covers only that area inside the city wall; and we feel certain that it does not represent all the quartering possibilities, and further; that the estimated number of men we show for each place would be found most conservation. These figures are, however, based upon occupying the compound with tents. Outside the wall there are still more places that would accomodate 100 men, such as ; China Merchants Steam Navigation Co's. godown, Recreation Park, Pagoda Temple Old Fort, Military Academy(now used as a school in silk worm culture) etc.

(b) The best camp sites would be found north and west of the city.

(c) The only available water supply for a body of troops would be the Yangtze River. There is no Public Water Works. At the time of the outbreak of the revolution in 1912, a Public Water Works System was under construction. With the revolution work was stopped, and has never been resumed. The pipeslaid are still in place, a 5 or 6 inch line running from the Electric Light Plant to the Provincial Treasurer's Yamen.
There are no artesian wells. The only wells in the city are ordinary, shallow, hand dug well, two or three of which will be found in the compound of the American Church Mission and a few others scattered about the

northern

Binding Margin

SUBJECT ANKING, ANHWEI PROVINCE, CHINA.

From H. A. COMBAT.

No. 2359. Date December 28th, 1919., 19

Replying to No. Date

REC'D, M.I.B., O.C.S. APR 7 1920

northern part of the city.

(d) There are two coal mines located at Tsi Hsien Kwan( ) five miles north of Anking. One of these mines, the Chung Jih( ), is not working. The other, the Chang Kang ( ) is producing 100 tons per day.

(e) Rice, beans, pork, and a very little beef would be available for purchase. An estimate of this year's rice and bean crop, for the country tributary to Anking, is: rice 1000000 piculs, beans 200000 piculs. Most of the beans and about 600000 piculs of the rice will be exported between now and the next harvest, Therefore, it depends upon the length of time after harvest that supplies would be required as to the amount available. Rice is harvested about the end of August, beans around the first of October. Neither rice or beans are stored in Anking in any considerable quantities, but would have to be collected from the surrounding country. The largest of the local rice and bean hongs is the shop Chih Jen Ho( ), who are engaged in buying and selling these two products on a commission basis.

(f) There are no supplies of gasoline or lubricating oil stocked at Anking, only kerosene oil is to be found in the godown of the Standard Oils Co. and the Asiatic Petroleum Co.

(g) No wireless, radius etc. at Anking.

(h) No railroads.

(i) The local garrison (at the present time 1500 men) are all quartered outside the city, at pleaces marked barracks on the map. In the past there have been as many as 10000 men in the local garrison.

(j) All places are indicated on the map. The telephone station is in the same compound as the Electric Light Plant.

(k) The old arsenal (located in the Electric Light Plant compound) is now engaged only in the minting of copper coins. There are no other industrial enterprises.

(l) No improved roads.

(m) The transportation available on a few days notice would be:
Between 300 and 400 Chinese junks, all sizes.
300 carrying coolies.
Between 500 and 1000 wheel-barrows.

(n) List of American attached. In this connection; we call your attention to the names of Dr. H. B. Taylor and Mr. James Pott as being men, who would be very valuable to a commander of troops landing at Anking. Dr. Taylor has been a resident of the city for fourteen years, and speaks and reads the language Mr. Pott has just returned to China after having served in the Air Service of the American Army in France. He, also, speaks and reads the language.

SUBJECT ANKING, ANHWEI PROVINCE, CHINA.

From H. A. COMBAT

No. Date December 28th, 1919., 19

Replying to No. Date , 19

American Residents of Anking.

Bishop D. T. Huntington,	American	Church	Mission,	Anking.
Mrs. D. T. Huntington,	"	"	"	"
Miss Jane Huntington,	"	"	"	"
Dr. H. B. Taylor.	"	"	"	"
Mrs. H. B. Taylor,	"	"	"	"
Miss Helen W. Taylor,	"	"	"	"
Rev. T. L. Sinclair,	"	"	"	"
Mrs. T. L. Sinclair,	"	"	"	"
Master Lowry Sinclair,	"	"	"	"
Miss Mary L. Sinclair,	"	"	"	"
Miss Elizabeth Smith,	"	"	"	"
Miss Elita Smith,	"	"	"	"
Miss Elizabeth Spencer,	"	"	"	"
Miss Jeanne Heald,	"	"	"	"
Miss Alice Gregg,	"	"	"	"
Miss Mary Ogden,	"	"	"	"
Miss Annie J. Lowe,	"	"	"	"
Miss Anne L. Wharton,	"	"	"	"
Miss Sada Tomlinson,	"	"	"	"
Miss E. Barber,	"	"	"	"
Mr. James Pott,(Air Service in France)	"	"	"	"
Rev. J. K. Shryock,	"	"	"	"
Miss V. Woods,	"	"	"	"
Miss A. Hewitt,	"	"	"	"

(o) A local missionary would be the best prepared to submit a reply to this question;but we doubt,judging from our inquiries, that they would be willing to trust themselves in making up a list of names that would meet the requirements of this question. We believe that the majority of educated, thinking Chinese are pro-American. The Chinese are mercenary, and for this reason we would not trust ourself to submit such a list.

(p) The only place where aeroplanes could land and take off, without considerable leveling of graves and filling in of rice fields, is directly across the Yangtze river from Anking. On this side of the river(the south bank) there is unlimited space, but on the north side a field would have to be prepared.

This report is accompanied by the following:

Sketch Map of the City
Commercial Press Co's. Map of Anhwei Province
Photographs of Anking(taken from the pagoda east of the city wall).

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Number of copies - 3 - 1 file copy

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2033-345

ARR 7 1920

WAR DEPARTMENT

SUBJECT KAIFENGFU, HONAN PROVINCE, CHINA.

From H. Q. COMBAT.

No. 2341. Date January 1st, 1920., 19

Replying to No. Date, 19

13 - LOCATION.

The following report was received from a most reliable source in Honan province, China.

REC'D, M. I. B., O. C. S. APR 7 1920

1. Map of City.

Telegraph Office, Post Office, etc., have all been indicated on map.

2. Kaifeng Map is New and Quite Reliable.

2. Military Information.

(a) The provincial guild halls, large temples, and two of the large schools have been indicated on the map as troop quarters.

(b) As the city and district around is quite level, all sides of city have been indicated as camp sites.

(c) No water works or large streams - many deep wells, a few have been indicated.

(d) Very little wood but enough could be had to run a few kitchens for about two weeks. Wholesale coal yards have been indicated on map. Most of the coal comes from north of the Yellow River. Small supply is sent down from Mienchin and Kwanyintang.

(e) Food supplies that may be purchased are beef, mutton, pork, fowl, eggs, good flour, rice, sweet-potatoes, beans, millet, cabbage, turnips, mustard, cherries, peaches, apples, grapes, pears in season.

(f) Standard Oil Company of New York and Asiatic Petroleum Company storage tanks have been indicated on map. No gasoline supply. Could be obtained from Hankow on short notice.

(g) None.

(h) There are four sidings that will hold about 100 cars. About 25 cars and three or four engines are in Kaifeng at all times.

(i) The location and capacity of the Chinese barracks have been indicated on the map. There are many small barracks throughout the city that accommodate from 75 to 100 men that have not been indicated. No foreign garrisions.

(j) The locations of most important plants are indicated.

(k) Arsenal operated by the governor of the province has been indicated.

(l) City streets are all paved, also the streets leading to the arsenal and to the railway station are paved. The country roads are very bad due to their sandy condition. It

is/

Binding Margin

SUBJECT KAIFENGFU, HONAN PROVINCE? CHINA.

From H. A. COMBAT.

No. 2561. Date January 1st, 1920., 19

Replying to No. Date, 19

REC'D, M. I. B., O. C. S. APR 7 1920

is considered impossible for motor cars or truck to travel through this section unless the roads were improved.

(m) In a few days notice 400 large horse carts, two hundred small wheel-barrows, 500 mules could be gotten together. About forty boats on the Yellow River could be secured in short notice. About 2,000 ricksha coolies and about 1,000 carrying coolies could be had on short notice.

(n) Dr. H. L. Hargrove and wife.
Rev. W. E. Sallee and wife.
Mr. Braun and wife.
Rev. S. N. Harris and wife.
Miss L. J. Savage.
Miss A Cox.
Rev. Gordon Poteat.
Rev. E. M. Poteat Jr and wife.
Miss N. L. Swann.
Miss B. Walker.
Rev. C. F. Appleton and wife.
Rev. E. P. Ashocraft and wife.
Miss B. M. Wood.
Miss L. Chandler.
Mr. W. B. Smith and wife.
Mr. W. W. Cline and wife.

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LIST OF CHINESE KNOWN AS PRO-AMERICANS.

(O) Mr. L. Hwang, Educational Office.
Mr. F. C. Ch'ou, Liu Mei School.
Mr. H. L. Chang, - President of Liu Mei School.
Mr. C. Tu, - Liu Mei School.
Mr. Hu T'ing Chang, Y. M. C. A., Chinese Secretary.

(p) Aeroplanes could land on south, east or west side of the city. North side is very sandy.

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Records Division
War Records Branch

APR 7 2033-346

WAR DEPARTMENT

SUBJECT SWATOW, KWANGTUNG PROVINCE, CHINA.

From H. M. COMBAT.

No. 2362. Date January 2nd, 1920. 19

Replying to No. Date 19

13 - LOCATION

REC'D, M. I. B., O. C. S. APR 7 1920

The following report was received from a most reliable source, dated November 8th, 1919, in Kwangtung province, CHINA.

1. Map of the City.

No map of the city is procurable and hence the enclosed drawing was made from an old map in this Consulate. The location marked are correct but the eastern section, or Kialat, is much more built up than indicated on the map.

The waterworks is located near Ampo (south-east of), 6½ miles to the north of Swatow. The pipe line joins the railway after a short distance and follows it to Swatow.

2. Map of District.

I have endeavored to secure such a map as you desire but without success. There is a map made in 1908 by a Rev. W. Riddel, of the English Presbyterian Mission, which comes in five sections and covers a large part of this consular district as well as south-western Fukien. This map only gives the names of places in the local dialect, unaccompanied by Chinese characters. This office has this map. I think that there is, or was about to be published when war broke out in 1914, a British War Office map of this province. I have been unable to procure a copy.

3. On the southern side of the harbor is Kakchieh where about half of the foreign community resides. The British Consulate and American Baptist Mission are located there.

(a) In the Baptist Mission compound, Kakchieh, there are several large school buildings including dormitories, which, in case of military necessity, might be occupied by about 100 men each. The mission is situated on a hill overlooking the harbor and city of Swatow.

Just below/

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SUBJECT SWATOW, KWANGTUNG PROVINCE, CHINA.

From H. A. COMBAT.

No. 2362. Date January 2nd, 1920. 19

Replying to No. Date 19

REC'D, M. I. B., O. C. S. APR 7 1920

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Just below the mission compound and along the water front there is the old and unused sugar factory of Jardine, Matheson & Co. (British) which undoubtedly would be adequate for 3,400 men.

On the Swatow side there is a line of godowns along the water front beginning just west of the Customs examination shed and running beyond the offices of Jardine, Matheson & Co. These belong to British shipping firms. East of the Customs boat camber there are the godowns of the China Merchants Steamship Navigation Co. and additional Butter-field & Swire godowns. The Standard Oil Company has a number of godowns on its installation property.

(b). Suitable camp sites for troops and animals near the city are not numerous. Country is largely planted in rice and much of the land is low and marshy. East of the city in the neighborhood of the Anglo-Chinese College and continuing east for about one mile there are sand dunes which probably offer the best camping site obtainable. These dunes at some places are as much as a mile deep, that is, from the water. They are partially covered with wild vegetation.

(c). The pipe lines of the waterworks are confined to the city, except for the main pipe leading from the plant at Ampo. Wells are wholly inadequate and many are brackish. Good water from Kakchieh can be secured by water boats. Steamers are furnished water in this way and as a man-of-war could readily cover the water supply it would probably be found the most reliable. Steamers pay fifty cents per ton for water.

(d). Local fuel supply cannot be depended upon. No good coal is mined in this district, importations from north China, Japan and French Indo-China supplying the market. Bradley & Co., Ltd., and T. Carr Ramasy, both British, are the principal importers, the latter importing Kaiping Coal. Fire wood obtained in the Hakka region between 100 and 200 miles up the Han River is fairly plentiful as also is charcoal.

(e). There are large rice and bean importations, considerable supplies of which are always to be found in local godowns. Potatoes (sweet) and fresh vegetables are grown in abundance. Rice is the largest crop but it is insufficient for the consumption of the whole district. Beef is only to be secured in limited quantities. Only from 12 to 15 beef cattle are slaughtered daily but there is usually about 100 such cattle in Swatow. Very

likely/

SUBJECT SWATOW, KWANGTUNG PROVINCE, CHINA.

From H. M. COMBAT.

No. 2362. Date January 2nd, 1920.

Replying to No. Date 19

REC'D, M. I. B., O. C. S. APR 7 1920

likely 50 to 100 could be procured daily.

(f). Gasoline and oil are imported by the Standard Oil Company of New York and the Asiatic Petroleum Company. The average estimated stock of the former is 400 cases of ten gallons each. The kerosene oil stocks will probably be large now that the war is over as both oil companies have tank installations. The average stock of fuel oil is only about 700 cases of ten gallons each. Additional stocks of any these products could be procured from Hongkong on about two week's notice.

(g). No wireless.

(h). Swatow is a seaport. Vessels drawing 22 feet, or less, can always enter (cross bar) at high tide. The harbor is spacious and has plenty of water for any vessel that can cross the bar. There are no docks but there are 6 pontoons belonging to shipping companies. Troops could be landed direct from vessels on pontoons or into boats. At over half tide launches could go alongside bund wall. Troops could readily land on pontoons from launches. East of the city a good landing could be made from boats anywhere within a mile to the east of the Round Fort. This landing would necessitate a little wading but on a hard sandy bottom. Farther east there are some quick sands.

A railway - Swatow-Chaochowfu Railway - connects Swatow with Chaochowfu, 26 miles away. Only three trains are run each way daily. The company has 3 locomotives (American), 3 first class and 15 combined 2nd and 3rd class passenger cars, and 26 open and 24 covered freight cars. There is only one siding at each station.

(i). The only permanent barracks is located on the Kialat Road to the west of the English Presbyterian Mission and is so marked on the map. Not more than 500 Chinese soldiers can be quartered there. Of course, there is one or two companies stationed at the Commissioner of Defense's office. A few of the buildings used as temporary barracks are located on the map. Troops are now found at many other places. Unoccupied private houses are very generally seized upon by "visiting troops" as Cantonese, Yunnanese or Chekiangese, who remain there until they happen to be moved from Swatow. The more important places used as barracks are shown on the map.

There are no foreign barracks here.

(j). The location of these are shown in the map or have been already explained.

(k). There/

Binding Margin.

SUBJECT SAWTOW, KWANGTUNG PROVINCE, CHINA.

From H. A. COMBAT,

No. 2362. Date Janaurry 2nd, 1920., 19

Replying to No. Date , 19

(k). There is none such at Swatow. There is a small arsenal at Swabue, along the coast between here and Hongkong, which was established by Ch'en Ch'iung-ming, commander-in-Chief of the Cantonese troops in Southern Fukien. Cartridges and powder are made there. It is, in fact, a branch of the Canton Arsenal, which will doubtless be removed to Canton when the Chinese situation is settled.

(l). There are no roads in this district except pathways for pedestrians. Many of the pathways, usually between 2 and 3 feet wide, are uncommonly good. The Kialat Road, Swatow, is an exception but it is only good for rickshas.

(m). Only coolies and boats are available. Coolies would disappear over-night unless friendly and the same is substantially true of boatmen. If friendly, several thousand or even more, could be secured on a few days' notice. There are the following launches: 5 on the Swatow-Kityang run (2 British); 2 each on Swatow-Chaoyang and Swatow-Tathoupo runs. There are four launches for coast service. On the Han River above Chaochowfu there are in operation 11 or 12 motor launches and several steam launches. There is also one motor launch on service between Chaochowfu and Tangleng on the coast. Beisdes these there are a number of motor and steam launches running out of Chaoyang.

There are about 150 lighters at Swatow. Other native boats could be obtained if desired.

(n). See attached list.

(o). This is a question that I fear cannot be answered. Unquestionably the people have a very friendly feeling for the United States and doubtless in time of war against another foreign power public sentiment would lean towards the United States. However, the Chinese are not wont to declare themselves individually on any subject if it can be avoided, and especially when their own interests might be involved by so doing. There are undoubtedly Chinese who would be willingly of assistance in such a contingency under certain conditions and circumstances. I brought this question to the attention of a local missionary, whose opinion in the matter coincides with mine.

(p). The place marked on the map is the only one about Swatow suitable for this purpose. It is roughly 75 yards wide by about 400 or 500 yards long. This place was used for several trial trips by Chinese aviators belonging to the Cantonese army.

I would add that field artillery placed on the

hills/

Binding Margin

SUBJECT SWATOW, KWANGTUNG PROVINCE, CHINA.

From H. A. COMBAT.

No. 2362. Date January 2nd, 1920., 19

Replying to No. Date, 19

hills of Kakchieh and on the hills to the north-west of Swatow - about 2 miles distant - would cover Swatow.

- - - - - - - - -

LIST OF AMERICAN CITIZENS AT SWATOW.

November 1919.

Anderson, J. P., and family
Swatow - 7th-day Adventist Mission.
(near Swatow-Chaochowfu Railway Station).

Ashmore, Wm., and wife
Kakchieh - American Baptist Mission.

Campbell, A.,
Swatow - for Anderson, Meyer & Co.
(near Chinese Customs).

Chase, E. M.,
Swatow - Chinese Maritime Customs.

Culley, M. R.,
Kakchieh - American Baptist Mission.

Crary, L. M.,
Swatow - Asiatic Petroleum Co. installation
(Kialat)

Dains, G. L.,
Swatow - Standard Oil Co. installation
(Kialat).

Davis, C. R.,
Swatow - c/o C. E. Richardson & Co. (Swatow)
(Swatow City).

Fielden, H. H.,
Kakchieh - American Baptist Mission.

Goodeno, J. M., and wife,
Swatow - Standard Oil Co. (Kialat Road)

Jamess C. P. F.,
Kakchieh - Manager local branch of W. G.
Humphreys & Co.

Johnson, H. L.,
Swatow - Standard Oil Co.

Keefe, A. J.,
Swatow - Standard Oil Co.

Kincaid, P. D.,
Swatow - c/o C. E. Richardson & Co. (Swatow)

Page, A. H., and family,
Kakchieh - American Baptist Mission.

Sanderson, Abbie G.,
Kakchieh - American Baptist Mission.

Sollman, Melvina.
Kakchieh - American Baptist Mission.

Binding Margin

SUBJECT SWATOW, KWANGTUNG PROVINCE? CHINA.

From H. A. COMBAT.

No. 2362. Date January 2nd, 1920., 19

Replying to No. Date, 19

Speicher, J., and family,
Swatow - Kailat Road, near Taoyin's office.
Stocker, G. St. M., and family,
Double Island (pilot)
Thompson, A., and family,
Swatow - Kialat Road.
Traver, Edith G.,
Kakchieh - American Baptist Mission.
Waters, A. L.,
Swatow - c/o C. E. Richardson & Co.
Waters, G. H., and family,
Kakchieh - American Baptist Mission.
Young, W. C.,
Swatow - British American Tobacco Co.

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Binding Margin

WAR DEPARTMENT

GENERAL

Date January 5th, 1920. 19

Replying to No. Date 19

M.I.D. M.I.B. O.C.S. APR 7 1920

M.I.D. M.I.B. O.C.S.

18 - LOCALITIES

The following report dated December 3rd, 1919, was received from a reliable source in Manchuria, China.

1. The map of the city enclosed with this memorandum is the most up-to-date, and clearest, obtainable. Telegraph offices, water-works, etc. have been plainly marked, as have been the places referred to under section 3-a.

2. The map of South Manchuria (on reverse side of map of city) is the largest obtainable here, the names of the more important places on the railroad and in the interior of this consular district being shown in English as well as Chinese.

3. a. The following buildings in Antung, all of which are indicated on the map in red, are the chief ones in the city that might be used to quarter 100 or more troops, each:

Japanese Military Headquarters (now used by small railroad guard)
South Manchuria Railway dormitories
Japanese School
Japanese School for Koreans
South Manchuria Railway Hospital
Japanese Club
Japanese Chamber of Commerce and Museum
Japanese Post, Telegraph & Telephone Offices
Japanese Police Headquarters
Japanese Consulate
Old Yokohama Specie Bank
Chinese Barracks near Taoyin's Yamen
Taoyin's Yamen
Customs House
5 Warehouses near Customs House

In additon to these, there are three or four three storied buildings being built for business houses in the Chinese city, and these buildings, should each be amply sufficient for the quartering of 100 troops. In the Pa Tao Kou valley and in the Chinese city, there are a number of silk filatures, bean oil mills, soccon warehouses, etc. which would serve for the quartering of troops in smaller groups than 100.

3. b. Suitable camp sites for troops and animals within about five miles of the city.

To the south west of the city, there are large tracts of level country which should make sutable camp sites, such land being gently sloping: well watered by small streams running down from the hills; and bordering on the Yalu River, which fact makes shallow draft transportation from the deep water anchorages, possible.

[redacted], MANCHURIA, CHINA.

From U. S. A. CONSUL,

No. 2163. Date January 5th, 1920. 19

Replying to No. Date 19

REC'D, M. I. B., O. C. S. APR 7 1920

A line of hills, which lie back of the city in a line roughly parallelling the Yalu, make communication with the country to the immediate north-west of the city difficult, except for pack animals. There are however cart roads which penetrate for several miles into the hills, through the valleys of Liu Tao Kou, Ch'i Tao Kou and Pa Tao Kou. The first named is a broad and well watered valley, with level farm lands and gently sloping hillsides, and is the most suitable, in so far as the configuration of the country is concerned, as a camp site. A level road leads down this valley to the main cart roads leading to the city, the San Tao Lang T'ou anchorage, and to the river bank direct.

To the north-east of the city, the contour is more broken, and less suitable for camp sites, although it is well watered by the Sha Ho and smaller streams.

3. c. Avilable water supply for command, and its location; i. e., city water-works, best streams, large wells, etc.

Antung and vicinity is well watered by numerous small streams, and by hundreds of shallow wells which yield a plenteous supply of water during the winter months when the streams are frozen. The location of the larger streams are clearly shown on the maps enclosed. The local Japanese settlement is supplied by the water-works of the South Manchuria Railway. (See Map).

The chief rivers of the district are the Yalu Chiang and the Run Ho.

3. d. Available fuel supply (coal and wood). Are there coal mines in the vicinity so that an ample supply could be depended upon?

Definite statistics as to the local coal and wood supply are unavailable, but it may be stated that there is ordinarily a plentiful supply of both in Antung. There are no coal mines near Antung, most of the soft coal used by the railway, manufactories, etc. coming from the mines at Pen Hsi Hu, about 123 miles from Antung on the Antung-Mukden Railway. As Antung is the terminus of this railway, large quantities of coal are stored in the yards of the South Manchuria Railway here.

The yards of the Yalu Timber Company (shown on map to southwest of railway station) contain great quantities of logs, insuring an ample supply of soft wood for all purposes.

3. e. What food supplies (beef, rice, potatoes, beans, etc.) are available for purchase locally for subsistence of troops?

The local abbattoir has an averegge daily output of 40 beeves, 60 pigs and 25 goats and sheep. These animals are brought from various parts of this consular district, throughout which a number of farmers engage in stock raising on a

[redacted], CHINA.

From ... to ... CONSUL, ANTUNG.

No. [redacted] Date January 5th, 1920. 19

Replying to No. Date 19

REC'D, M.I.B., O.C.S. APR 7 1920

small scale.

The amount of rice consumed in Antung is small, the present stock held by the chief Chinese dealers aggregating less than two tons. Most of the rice used locally comes from Korea.

Potatoes and other vegetables may be secured in quantities amply sufficient for the needs of a local population of approximately 75,000 people, the producers being the farmers of nearly districts.

During the winter months, there is usually a stock of less than 100 tons of the varieties of beans used for human consumption, although there are great quantities of other varieties of beans stored here for the use of the bean oil mills. Bean cake, which may be used for feeding live stock, is also to be found in large quantities.

The present stock of flour in the principal flour hongs, of Antung, totals in excess of 100,000 sacks. The bulk of this is brought from Shanghai by steamer, during the seation when the river is open for traffic. A small portion of the flour now stocked by the local Chinese came from Harbin and other points in north Manchuria.

3. f. The local supply of gasoline is practically nil, owing to the absence of local demand for it. Stocks of kerosene vary with the seasons, the winter stock varying from half a million to one million gallons.

3. g. As far as is known, there is no wireless equipment in this consular district.

3. h. The South Manchurian Railway Company is steadily increasing its lines of freight siding here. As noted on the map, there are now 86 lines of track in the freight yards, with an approximate aggregate length of six miles. There are usually from 10 to 16 locomotives and from 90 to 130 freight cars, to be found in the yards here.

There are no docks at Antung, suitable for the docking of steamers of any appreciable size. Ocean going vessels usually anchor at San Tao Lang T'ou, an anchorage 6 1/2 miles below the city, from which point cargo is lightered to Antung in native cargo boats. With spring tides, vessels drawing 16' of water may come up the river as far as San Tao Lang T'ou, and those of 12' draft may come as far as the railway bridge across the Yalu at Antung.

The landing of troops by launch should be easily accomplished at any point along the river bank, between San Tao Lang T'ou and the upper reaches of the river.

Form No. 4. COMBAT.

No. [illegible] Date January 5th, 1920. 19

Replying to No. Date 19

The Yalu is navigable for small native junks, as far as Mao Erh Shan, a point 270 miles above Antung, although there are some difficult rapids in this stretch of water.

3. i. We have been informed that there are about 9,000 Chinese troops scattered throughout this consular district, the largest single body, consisting of 2,000 men, being located at Feng Hwang Ch'eng, the headquarters of the Defence Commissioner. Feng Hwang Ch'eng is located on the Antung-Mukden railway, at a point 37 miles north of Antung, and was used as a base of operations for Japanese armies both in the Chino-Japanese and the Russo-Japanese wars.

There are less than 200 Chinese troops stationed in Antung, eighty being located in a barrack next to the Taoyin's Yamen; fifty, in a temple near the Customs House, and about sixty at a compound situated at a point midway of the two above mentioned places. (See map).

The only foreign troops stationed here are the Japanese railway guards (reported as numbering less than sixty), who have barracks at a point about three quarters of a mile west of the railway station. In addition, small detachments of railway guards are stationed along the railway from Antung to Mukden.

3. j. The Japanese have three small reservoirs or intakes in the stream bed at Liu Tao Kou, and a reseroir on a hill about one-half mile northwest of the railway station. The Chinese have no waterworks, and depend upon a plentiful supply of water from shallow wells and streams. (See map).

The two electric power stations in Antung are both operated by the Japanese. The main one is located at a point about one-quarter of a mile southeast of the railway station and a smaller one near the intersection of Yobandori (street) and the bank of the drainage canal which bounds the Ch'i Tao Kou ("southeast") side of the Japanese settlement. (See map).

The Japanese post, telegraph and telephone offices are located at a point about one-quarter of a mile northeast of the railway station (on the main street leading directly away from the station). (See map).

The Chinese telegraph office is on Kuan Tien Chieh, about one-eight of a mile south of the railroad tracks. The telephone office is on Tien Hua Chieh, at a point about two hundred yards north of the Taoyin's Yamen. (See map).

3. k. There are no arsenals, steel works, powder factories or other industries of special military importance in this consular district.

3. l. With the exception of the streets of Antung and of some of the larger cities, there are no highways in this district worthy of the name. The streets of the Japanese settlement in Antung are broad, well made of crushed stone, and kept in an excellent state of repair. These dirt roads in the Chinese city are in fairly good condition, except during

the rainy season.

From Antung to the anchorage at San Tao Lang T'ou, there is a dirt road, which during the fall and winter, is usually in very good contition, and available for the transport by land, of goods delivered from steamers at the anchorage. This road is for the most part level, with only one or two sharp grades, in its more than ten miles of length.

Aside from these, the roads which exist in this district, are generally rocky trails or streambeds, over which pack animals, and the strong two wheeled native carts (with from 2 to 5 draft animals), are able to pass. It would be practically impossible to use four wheeled vehicles over such trails. At the time of summer rains, most of these roads are deep in mud, and in some places are impassable. Bridges are practically non-existent, the smaller streams being crossed by fords, the larger by crude ferries.

The main cart roads in this district are shown on the enclosed map with a double black line, the less important ones with a single black line. During the four or five months during which the Yalu and other rivers are frozen, the rivers become broad highways to which much of the usual road traffic is diverted.

3. m. In addition to railways, the following means of transport are available:

Native carts in [illegible] may be obtained in Antung and vicinity. It is said that there are 1,000 carts in the city alone.

The number of coolies available varies with the seasons, as there are large numbers who come to Manchuria from Shantung during the months when the river is open for rafting. During these months, it is estimated that there are more than 3,000 coolies (exclusive of the lumberment and raftamen), to be found in Antung.

In addition to 180 Chinese and 79 Japanese cargo boats which operate on the Yalu between Antung and the anchorage at San Tao Lang T'ou (or lower points on the river), there are great numbers of small native craft which ply between upper and lower river points. With the exception of two gasoline launches, and one or two steam launches, there are no local power boats available.

3. n. The following is the list of the Americans now residing in or near the city, with their addresses:

Name	Addresses
Francis A. Carl and wife	Residence of Commissioner of Customs, Antung.
Miss Fidelia A. Collins	" " " " "
H. Barton	Standard Oil Company, Manager, Antung
C. J. Spiker	American Consulate, Antung

[redacted]

From M. A. CONSUL.

No. [redacted] Date January 5th, 1920. 19

Replying to No. Date 19

All of these places of residence, shown in red, on map.

3. o. While no list of local Chinese known unquestionably to be pro-American can be given, it may be stated, in a general sense, that Americans are held in very high esteem by the great mass of the Chinese here, who manifest a very friendly feeling toward Americans. Such an attitude is particularly noticeable in comparison with the general feeling of distrust and suspicion with which the Japanese are viewed.

3. p. The open fields to the northwest of the railway station are the local places most suitable for the landing or take-off of aeroplanes, although there are slight inequalities of surface to be found in these pieces of ground.

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OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch

2053-348

APR 7

SUBJECT: CHEFOO, SHANTUNG PROVINCE, CHINA. WAR DEPARTMENT

NOTED M. I. S.

From: M. A. COMBAT.

No. 2364. Date: January 6th, 1920., 19

Replying to No. Date, 19

REC'D, M. I. B., U. C. S. APR 7 1920

13 - LOCATION.

The following report dated October 9, 1919, was received from a most reliable source in Shantung, China.

1. The enclosed map of the City of Chefoo has been marked to indicate the location of the telegraph offices, post offices, and the electric light plant. There are no water works in Chefoo the water supply being derived from surface wells and as far as possible these are being indicated on the map.

2. The map of the district under the jurisdiction of this Consulate has been marked to show five cities in which Americans reside and further indicates the twelve Hsien (countries) with their populations. As of possible interest the map has been further marked to indicate the principal industries and products.

3. (a)

NAME OF BUILDING	ADDRESS (STREET)	NUMBER OF MEN WHO COUDD BE ACCOMMODATED.	REMARKS
Hua Feng,	Hsi Wei Wai	2,000	Formerly Silk Filature - not in good condition.
Hsi San Yu,	Tung Ho Yen	300	Formerly Silk Filature - condition good.
Fu Chien Huei Kuan,	Yu Lan Huei	200	Guild Building.
Ch'ao Chou Huei Kuan,	Kuang Jen T'ang	200	" "
Tan Kuei,	Ju Ling Chieh	400	Unoccupied theater.

Note: All the above have large compounds.

(b) The most suitable camp site for troops and animals has been indicated on the map of the consular district and is known as the "Fresh Water River."

(c) There are no waterworks in Chefoo and the only available water within the city is from surface wells which have been indicated on the map of the city previousl

mentioned./

R.E.D., M.I.B., O.E.S. APR 7 1920

SUBJECT CHEFOO, SHANTUNG, CHINA.

From H. A. COMBAT.

No. 2364. Date January 6th, 1920.

Replying to No. Date , 19

13 - LOCATION.

mentioned. The best stream is the one mentioned in the preceding paragraph.

(d) Approximately 14,000 tons of coal is carried in stock in Chefoo. The coal is of Manchurian and Japanese origin approximately in the following proportions:-

Kailan Coal (Ching Wang Tao)	45%
Fushun Coal (Manchuria)	35%
Japanese Coal.	20%

Wood for fuel is extremely scarce and there are no forests accessible to Chefoo.

There are no coal mines operated in the Chefoo consular district. As a result of the above the fuel supply is extremely limited and is entirely dependent upon importation by sea.

(e) Chefoo is almost entirely dependent upon neighboring regions for its food supplies. Shantung province produces a considerable quantity of beef but the supplies are close to the Shantung Railway from which Chefoo is practically isolated due to the long overland journey. In an emergency herds could be driven overland to supply troops quartered here.

Rice is imported from Hongkong and Yangtze ports.

Potatoes are grown locally but not in sufficient quantities to supply an unusual demand on short notice and this applies practically to all vegetables.

Edible beans are produced in extremely small quantities.

Considerable stocks of food stuffs are never carried in this port and the entire district depends mainly upon the importation of food supplies from Manchuria, flour from Shanghai and rice from the South.

(f) Extremely small stocks of gasoline are carried in Chefoo which port is supplies from the stocks carried in either Tientsin or Shanghai and due to the uncertain demand it would not be advisable to count on any gasoline being carried here.

Large stocks of kerosene oil are always carried.

(g) There is no wireless equipment in this district.

(h) There are no railroads in this consular district and no docks in the harbor of Chefoo and the accompanying chart of the harbor and vicinity will show numerous suitable locations for landing troops by launch on the beaches to the east and west of the City.

(i) The local barracks for the Chinese troops will accommodate one thousand five hundred soldiers and the naval barracks at the end of the east beach have accommodation for five hundred. These are marked on the accompanying maps.

There/

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SUBJECT CHEFOO, SHANTUNG PROVINCE, CHINA.

From U. S. COMBAT.

No. 2364. Date January 6th, 1920., 19

Replying to No. Date 19

REC'D, M.I.R., O.C.S. APR 7 1920

There are no foreign garrisions stationed in Chefoo.

(j) The electric light plant and the telephone and telegraph stations have been indicated on the attached maps. There are no waterworks in Chefoo.

(k) There are no arsenals, steel works, powder factories or other industrial enterprises of military importance in this consular district.

(l) There are no motor or improved roads in any part of this consular district although the country is well covered with crude high-ways and by petty trails suitable for pack animals but not for wheeled traffic. On the main roads two wheeled carts are used but transportation by this method is very difficult as at all seasons of the year the roads are badly broken up. During the winter months the roads are in better condition than at any other time in the year as the ground is frozen. Many of the roads are practically impassable during the latter parts of the summer, the rainy season.

The POSTAL MAP OF SHANTUNG PROVINCE, issued by the Chinese Postal Administration and procurable in Peking shows all the main roads in this consular district with the distances between the given points.

(m) With the exception of transportation by sea along the coast of Shantung, there being no navigable rivers and no railways in this district, troops and supplies could only be moved by marching or mounting the former and by utilizing the pack animals (mules) and where feasible the carts found in practically all parts of the district. Although the number of the pack animals is great only a comparatively few could be obtained on a few days notice as they would have to be collected over a considerable area.

(n) Attached to this report will be found a complete list of Americans residing in this consular district.

(o) A list is attached herewith of Chinese who are believed to be pro-American and who could be relied upon to aid us in the event of war with a foreign nation.

(p) Due to the mountainous character of the interior of the neighborhood of this port the long beach to the west of this city, which connects the mainland with the Chefoo Bluff would be the only safe place for aeroplanes to land or take off. This place has been indicated upon the accompanying maps.

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Note

LIST OF AMERICAN CITIZENS RESIDING IN THE CHEFOO CONSULAR DISTRICT.

NAME	AGE	ADDRESS	OCCUPATION
Abbott, P. R	37	American Presbyterian Mission.	Missionary.

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SUBJECT CHEFOO, SHANTUNG PROVINCE, CHINA.

From H. A. COMBAT.

No. 2364. Date January 6th, 1920., 19

Replying to No. Date , 19

NAME	AGE	ADDRESS	OCCUPATION.
Abbott, B. S. (wife)	38	American Presbyterian Mission.	Missionary.
" L. S. (daughter)	8	Do.	Student.
Beegle, C. D.(Miss)	32	The Temple Hill Hospital	Nurse.
Booth, Wm.C.	42	American Presbyterian Mission.	Teacher, T. Hill Eng.School.
" E.H.(wife)	39	do.	Missionary
Bowers, A.G.	33	Chefoo Harbor Improvement Commission.	Engineer of C.H.I.C.
" N.M.R.(wife)	31	do.	
Bryan, H.	45	The Temple Hill Hospital.	Physician.
Corbett, H.	83	American Presbyterian Mission.	Missionary.
" H.S.(wife)	60		
Clark, F.A.		Netherland Harbor Works Co.	Employee of N.H.W.Co.
Croskey, E.(Mrs.)	57	Rusholme, East Beach Road.	Housekeeper
Dunlap, R.W.	38	American Presbyterian Mission.	Missionary.
Elterich, H.B. (Miss)	28	do.	"
Elterich, W.O.	54	do.	"
Emery, H.A.C.	46	Cornabe, Eckford & Co.	Business.
Emery, E.A.D. (Miss)	50	c/o H.A.C. Emery.	Housekeeper
Hovey, B.P.	33	Standard Oil Co. of N.Y.	Merchant.
Lowe, J.W.	51	Am. Southern Baptist Mission.	Missionary.
Pruitt, C.W.	62	do.	Missionary.
Smith, H.F.	34	Am. Presbyterian Mission.	"
Smith, J.M.(Mrs)	48	L.H.Smith & Co.	Owner ofL. H.Amith & Co.
Smith, H.E.G.	19	do.	business.
Stephens, H.P.	26	Cornabe, Eckford,& Co.	Employee of C.E. & Co.
Strausser, H.	45	Far Eastern Development Co.	business.
Thomas, B.W.	60	Chefoo Harbor Improvement Commission.	Interpreter.
Wright, Thomas	60	Chinese Maritime Customs,	Harbor Master, C.M.Customs.

Ayers, T.W./

SUBJECT CHEFOO, SHANTUNG PROVINCE, CHINA.

From H. A. COMBAT.

No. 2364. Date January 6th, 1920., 19

Replying to No. Date , 19

NAME	AGE	ADDRESS	OCCUPATION
		HWANGHSIEN.	
Ayers, T.W.	61	Am. Southern Baptis Mission	Missionary.
" M.W.S.(wife)	57	do.	
Bradley, B.(Miss)	34	do.	"
Hartwell, C.N.	35	do.	"
" E.L.M.(wife)	39	do.	
" A.B.(Miss)	49	do.	"
Stout, W.W.	34	do.	"
" H.C.(wife)	27	do.	
Watson, Lila F.(miss)	27	do.	"
		LAICHOWFU.	
Beall, J.E.(Miss)	34	Am. Southern Baptist Mission	"
Gaston, J.M.	51	do.	"
" A.B.G.(wife)	50	do.	
Leonard, C.A.	37	Am. Southern Baptist Mission	"
" E.C.(wife)	37	do.	"
Huey, M.A.(Miss)	42	do.	"
Miller, C.A.(Miss)	51	do.	"
Smith, B. "	31	do.	"
		LAIYANG.	
Hearn, T.O.	42	do	"
" L.P. (wife)	49	do.	"
Larson, I.VI.	30	do.	"
		TENGCHOWFU.	
Adams, W. W.	42	Am. Southern Baptist Mission	"
" M.F.W.(wife)	36	do.	
Bell, A.C. (Miss)	30	do.	"
Bell, T.P (Mrs.)	71	do.	Home maker.
Frame, M.A. (Miss)	35	Am. Presbyterian Mission	Missionary.
Buswell, Calvin E.	30	do	Medical Missionary.
" A.K.B.(wife)	29	do.	
Irwin, J.P.	51	do.	Missionary.
" M.J.A.(wife)	50	do.	
Lanning, R.A.	31	do.	Missionary.
" W.M.(wife)	32	do.	"
Lide, F.C. (Miss)	35	Am. Southern Baptist Mission	"
Moorea, T.F.	41	do.	"
" J.R.(wife)	38	do.	
Wight, I.J.E.(Mrs.)	52	Am. Presbyterian Mission	Missionary.
		N. E. PROMONTORY LIGHT STATION.	

Kellogg./

Binding Margin

SUBJECT CHEFOO, SHANTUNG PROVINCE, CHINA.

From H. A. COMBAT.

No. 2364. *Date* January 6th, 1920, *19*

Replying to No. *Date*, *19*

NAME	AGE	ADDRESS	OCCUPATION
Kellogg, R.	37	Chinese Maritime Customs	Lighthouse keeper.

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LIST OF CHINESE BELIEVED TO BE PRO-AMERICAN.

NAME	ADDRESS.
Yu Dzung Hwoa,	Chi Hsia.
Sen Hing Hsü	Hai Yang.
Kü Ging Tai,	"
Liu En Hsiang,	
Lan Hsiao Gi.	Chi Hsia.
Sung Yien Fang,	Mu Ping
Chang Shu Guin,	"
Chang Yueh,	"
Chao Yin San,	Chefoo.
Yang Kin T'ien,	"
Liu Hung Pin,	Laiyang.
Liu Yü Chin,	Chefoo.
Kü Lien Tao	"
Ma Shü Fen,	"
Hing Yü Hwei,	"
Ch'ü Tzu Yüan,	"
Hsü Tsung Ming,	"
Kwoa Yü Yung,	"
Ko Yung Sheng,	"
Lan Juei Yü,	"
Lee Ying Fang,	"
Lee Po Hsüan,	"
Li Tzu Yung,	"
Liu Tzu T'ang,	"
Tan-tai Yü Tien,	"
Wan Kun Shan,	"
Yang Mei Nan,	"
Yü Tzu Ming,	"

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OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch

2353-350

APR 7 1920

WAR DEPARTMENT

SUBJECT---SINSIANG HSIEN, HONAN PROVINCE, CHINA.

From---M. A.---COMBAT.

No.---2366.--- Date January 5th, 1920., 19

Replying to No.--- Date APR 7 1920, 19

M.I.B. 9.

13 - LOCATION .

The following report was received from a most reliable source in Sinsiang Hsien, Honan province, China.

Sinsiang:-

This town is a Hsien city with a population of appreximately 20,000 people including the inhabitants within the city proper and the settlement that has sprung up about the railway stations. Tis chief importance lies in the fact that it is a railroad junction, being tapped by both the Kin-Han and Tao-Ching Chinese Government railways. It is located about half way between Peking and Hankow on the Kin-Han Line, being 775 miles south of Peking. It is almost the midway point on the Tao-Ching R R which connects Tsinghwa and Taokow. The main line of the latter railroad passes Sinsiang on the east only a short distance from the city gate. The Kin-Han R R , however, passes Sisiang on the west about a mile from the city proper, running in a nerth-eastrn and southwestern direction at this point. The Tao-Ching R. R. have a branch line running from Yu Chia Fen Junction which is only a little over a mile away to the Kin-Han Line, making a connection between the two railroads. There is not a union station in Sisiang, as each railroad has its own separate station located a few hundred feet apart, but they do have an exchange siding.

Another important factor about Sinsiang is that it has direct water connections with Tientsin. It is located on the Yu (otherwise known as the Wei) River which finds its way to the sea at Tientsin. The distance by water is appreximate-ly 800 miles, and at certain times of the year there is sufficient water to allow junks drawing as much as three feet of water to proceed as far as Sinsiang. The up stream trip takes from six to eight weeks while the down stream trip takes from two to three weeks.

There is second class Post Office at Sinsiang which is located in the settlement not far from the railroad station. (For exact location see map attached) It also has telegraph connections. The office is located within the city as shown on the map attached. There is also a branch of the Bank of China within the city, but most of the money transactions are handled through the usual native banks.

The principal exports from Sinsiang are grain and egg products while there is also a considerable trade in the exportation of dried bones. It is also a forwarding point for the products coming in from the west such as coal, iron ore, a few skins, some walnuts and bamboo. The latter product is to be found in quantity around Tsinghwa. The imports are kerosine, cigarettes, sugar and the usual sundry goods.

of late

Binding Margin.

SUBJECT SINSIANG HSIEN, HONAN PROVINCE, China

From H. A. COMBAT.

No. 2366. Date January 6th, 1920., 19

Replying to No. Date, 19

REC'D, M. I. B., O. C. S. APR 8 1920

Binding Margin.

Of late there has been a little beem in the way of industrial development in Sinsiang. There are five large egg drying plants here of the native type, a large flour mill is now under construction just across the river and it is rumered that a Shanghai Chinese firm will establish a smelter in Sinsiang for the smelting of the iron ore which is to be found in large quantities in the southern part of Shansi, especially around Nantsun. This city cannot beast of an electric light plant or water works. There have been no improvements in the way of road building or the taking of sanitary measures. This city has its own Chamber of Commerce and Police Bureau in addition to the Kin-Han and Tao-Ching R R police which are stationed here. There is a Government Boys School located in the city.

There are no official maps of Sinsiang to be had, but we attach hereto two maps in duplicate which we think will fully answer your purpose. One is of the walled city itself, showing the location of the telegraph office, the magistrates yamen, the barracks for the magistrates troops, the principal streets and the businessquarter. The other map is of the settlement which has sprung up about the railroads, showing the location of the Post Office, the principal buildings, the railroad connections and siding network in detail.

For the maps of the district that comes under our observation we have procured the maps issued by the Chinese Post Office for Honan Province. Both the English and Chinese names are given for a great many of the town, and we have added the English name for those we consider important. This map is useful from the fact that postal routes are shown and exact distances are given. We have shown on the map the tepography of the district covered, the main cart raods, designating if they are good or bad, the coal and iron ore deposits and suitable landing places for areoplanes.

GENERAL:

We submit the following as information we would deem necessary to the Commander of Troops arriving in our city or locality.

(a) In the settlement about the railway stations at Sinsiang there are numerous buildings such as native hotels, inns, transportation companies and egg factories which could be used for the accommedation of 100 or more men. The latter would not be very desurable during the busy season, but from Novemebr to March of each year they are lying idle. There are about twelve suitable buildings in all.

(b) Suitable camp sites for troops and animals within five miles of the city are to be found in almost any direction. It is to be understand though all this country is constantly under cultivation so there are no plots lying fallow. The section about

Sinsiang

SUBJECT SINSIANG HSIEN, HONAN PROVINCE, CHINA.

From H/A. COMBAT.

No. 2366. Date January 6th. 1920. 19

Replying to No. Date 19

RC'D, M. I. S., O. C. S. APR 7 1920

Sinsiang is intermittantly subjected to floods during the rainy season which lasts from July to September, but there is no regularity about the inundation. In case this section was flooded a suitable site could most always be found off to the north west.

(c) As we stated before there are no water works in Sinsiang, but this town is located on the Yu River which guarantees an aboundant supply of water. This section is also dotted with innumerable wells.

(d) The wood supply is almost negligible as very little native wood can be obtained. It is possible to pruchase old sleepers from both the Kin-Han and Tao-Ching R.R., but of course this supply is limited. We can always guarantee a good coal supply, however, as the Peking Syndicate Mines are located at Chiaotso which is 37 miles to the west on the Tao-Ching R.R. There are also numerous native mines in that district. The Fu Chung Corporation which is a selling organization for the native and foreign mining rights have agencies in all the principal towns in Honan. Coal can also be obtained in large quantities at Fenglochen which is located on the Kin-Han Line to the north and is the distrubuting center for coal brought from the mines about 60 li to the west. A narrow gauge railroad runs from the Kin-Han back to these mines.

(e) A large amount of wheat can be ovtained from local storehouses and the surrounding districts, as well as ,a fair amount of beans. Very little rice is to be had. Practically no beef, but a small quantity of mutton can be procured in the surrounding districts. In the fall of the year it would be possible to send men into southern Shansi were potatoes could be obtained in large quantities and shipped down to Sinsiang.

(f) Gasoline is not regularly to be had in these parts, but at times small stocks are carried by the agents of the Standard Oil Company at Sinsiang, Tamingfu and Kaichow. These stocks would only amount to ten or twenty cases. At times it might also be possible to procure a case or two of lubricating oil such as, Auto XX at the above mentioned points. Kerosine can always be obtained in almost every town in Honan, and in large quantities at Tzechow, Changteh, Wei Hwei fu, Sinsiang, Taokow, Chiaotso, Tsinghwa, Tamingfu and Kaichow.

(g) No wireless equipment in this section.

(h) On map No. 2 we have shown in detail the railroad connections and sidings,- in all there is between three and four miles of siding. The Kin-Han Line is hard pressed for rolling stock at the present time and very little could be presured at this point. Under ordinary conditions it would not be possible to get more than ten twenty ten wagons in a few days time from them. The entire rolling stock of the Tao-Ching Line does not exceed two hundred coal cars and in a few days it would be possible to get twenty or thirty wagons.

As stated

Binding Margin.

SUBJECT SINSIANG HSIEN, HONAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2366. Date January 6th, 1920., 19

Replying to No. Date , 19

As stated before Sinsiang is on the Yu River which is navigable except during the winter months when it is frozen. However, there are two main shipping periods when the water is deepest,-the first is short lasting only for the two months of March and April,but the best time is from July to November when junks drawing three feet or more can come direct from Tientsin. Shipments can always be made at other times,but shallow draft junks have to be used and it is necessary to lighter them at certain points.

(i) No local garrison stationed in Sinsiang. The magistrate has his own troops,about fifty in number, which are garrisoned in the city as shown on the attached map.

(j) No water works, electric light plant or telephone service. Of course the railroads have their own telephones for communicating with the stations along their lines,but they are not open to public use. As stated before Sinsiang has a telegraph station. See map.

(k) No arrsenals, steel works or powder factories in this vicinity. There are numerous egg drying plants in Sinsiang of the native type and a flour mill is under construction. Neither of the railroads have a work shop here,but the Tao-Ching R R have an extensive machine shop in Chiaotso which is 37 miles to the west.

(l) There are no meter or improved roads in this section. On the map of Honan Province we have shown the cart roads in this section about which we have any first hand knowledge. These marked as good cart roads could be used for light moter truck traffic except during the rainy season which extends from June to September.

(m) Outside of the railways there are only limited facilities for transpertation. About 80 Chinese carts with two draft mules to each,about 150 coolies and about five for six junks is all that could be mustered together in a few days.

(n) The only Americans residing in Sinsiang at the present time are A.H. Thomas and C.K. Gish of the Mei Foo Hong;and J. Lynch of the Fu Chung Corp. All reside in the settlement three minutes walk from the station.

(o) We give the name of two Chinese located is Sinsiang when we are quite sure could be relied upon in case of necessity:-

Liu Wu Chan,owner of firm known as Teh Tai Cheng, agent for the S O Co.

Wang Hsiao Wu. Manager of above firm.

There are several clerks in the Sinsiang office of the S.O. Co.who could be relied upon,but as that office is to be removed to Chiaotso the first part of next year we'll give their address as Chiaotso care of Mei Foo Hong. Their names are :-

Wang Ping Hsun

Binding Margin.

SUBJECT--SINSIANG HSIEN,--HONAN PROVINCE,--CHINA.

From--H. A.--COMBAT.

No.--2366.--Date--January 6th, 1920--, 19

Replying to No.--Date--, 19

Wang Ping Hsun
Wang Hai Ting
Chi Ching Chuen.

The above also applies to the Americans living is Sinsiang attched to the S.O. Co. The first part of next year their quarters will be removed to Chiaotso.

(p) On map No.1.we show locations of suitable landings for areoplanes about Sinsiang. They would make good landing plantes during the late fall and winter,but as we stated before this section is subject to floods at times during the rainy season and if such were the case they would not be suitable.Another point is that the fields are all under cultvation, and while it would be possibel to make a landing in a field sown with wheat or beahs it would not be possible to come down in a field of kaoliang without serious damage to the machine. All along the Kin-Han and Tao-Ching R.R. in this section it would be possible for an airman to make a forced landing without much damage to the machine. There are innumerable places that could be made into excellent landing fields with very little work. During the fall and winter landings would be much more simple than during the spring and summer when the ground is cavered with crops. The places we have designated might at some future time be planted with kaoliang, making landing difficult during the period of its growth.

Binding Margin.

Number of copies 3
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1 Enc ol

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.
2053-350

NOTED M.I.B. APR 17 1920

WAR DEPARTMENT

SINSIANG HSIEN, HONAN PROVINCE, CHINA.

Just

H. A. COMBAT.

2366. January 6th, 1920.

13 - LOCATION .

The following report was received from a most reliable source in Sinsiang Hsien, Honan province, China.

Sinsiang:-

This town is a Hsien city with a population of approximately 20,000 people including the inhabitants within the city proper and the settlement that has sprung up about the railway stations. Tis chief importance lies in the fact that it is a railroad junction, being tapped by both the Kin-Han and Tao-Ching Chinese Government railways. It is located about half way between Peking and Hankow on the Kin-Han Line, being 375 miles south of Peking. It is almost the midway point on the Tao-Ching R R which connects Tsinghwa and Taokow. The main line of the latter railroad passes Sinsiang on the east only a short distance from the city gate. The Kin-Han R R , however, passes Sisiang on the west about a mile from the city proper, running in a north-eastrn and southwestern direction at this point. The Tao-Ching R. R. have a branch line running from Yu Chia Fen Junction which is only a little over a mile away to the Kin-Han Line, making a connection between the two railroads. There is not a union station in Sisiang, as each railroad has its own separate station located a few hundred feet apart, but they do have an exchange siding.

Another important factor about Sinsiang is that it has direct water connections with Tientsin. It is located on the Yu (otherwise known as the Wei) River which finds its way to the sea at Tientsin. The distance by water is approximately 800 miles, and at certain times of the year there is sufficient water to allow junks drawing as much as three feet of water to proceed as far as Sinsiang. The up stream trip takes from six to eight weeks while the down stream trip takes from two to three weeks.

There is second class Post Office at Sinsiang which is located in the settlement not far from the railroad station. (For exact location see map attached) It also has telegraph connections. The office is located within the city as shown on the map attached. There is also a branch of the Bank of China within the city, but most of the money transactions are handled through the usual native banks.

The principal exports from Sinsiang are grain and egg products while there is also a considerable trade in the exportation of dried bones. It is also a forwarding point for the products coming in from the west such as coal, iron ore, a few skins, some walnuts and bamboo. The latter product is to be found in quantity around Tsinghwa. The imports are kerosine, cigarettes, sugar and the usual sundry goods.

of late

SINSIANG HSIEN, HONAN PROVINCE, China

H. A. COMBAT.

2566. January 6th, 1920.

Of late there has been a little boom in the way of industrial development in Sinsiang. There are five large egg drying plants here of the native type, a large flour mill is now under construction just across the river and it is rumored that a Shanghai Chinese firm will establish a smelter in Sinsiang for the smelting of the iron ore which is to be found in large quantities in the southern part of Shansi, especially around Hantsun. This city cannot boast of an electric light plant or water works. There have been no improvements in the way of road building or the taking of sanitary measures. This city has its own Chamber of Commerce and Police Bureau in addition to the Kin-Han and Tao-Ching R R police which are stationed here. There is a Government Boys School located in the city.

There are no official maps of Sinsiang to be had, but we attach hereto two maps in duplicate which we think will fully answer your purpose. One is of the walled city itself, showing the location of the telegraph office, the magistrates yamen, the barracks for the magistrates troops, the principal streets and the businessquarter. The other map is of the settlement which has sprung up about the railroads, showing the location of the Post Office, the principal buildings, the railroad connections and siding network in detail.

For the maps of the district that comes under our observation we have procured the maps issued by the Chinese Post Office for Honan Province. Both the English and Chinese names are given for a great many of the town, and we have added the English name for those we consider important. This map is useful from the fact that postal routes are shown and exact distances are given. We have shown on the map the tepography of the district covered, the main cart raods, designating if they are good or bad, the coal and iron ore deposits and suitable landing places for areoplanes.

GENERAL:

We submit the following as information we would deem necessary to the Commander of Troops arriving in our city or locality.

(a) In the settlement about the railway stations at Sinsiang there are numerous buildings such as native hotels, inns, transportation companies and egg factories which could be used for the accommodation of 100 or more men. The latter would not be very desurable during the busy season, but from Novemebr to March of each year they are lying idle. There are about twelve suitable buildings in all.

(b) Suitable camp sites for troops and animals within five miles of the city are to be found in almost any direction. It is to be understand though all this country is constantly under cultivation so there are no plots lying fallow. The section about

SINSIANG HSIEN, HONAN PROVINCE, CHINA.

H/ A. COMBAT.

2366. January 6th, 1920.

Sinsiang is intermittantly subjected to floods during the rainy season which lasts from July to September,but there is no regularity about the inundation. In case this section was flooded a suitable site could most always be found off to the north west.

(e) As we stated before there are no water works in Sinsiang,but this town is located on the Yu River which guarantees an abundant supply of water. This section is also dotted with innumerable wells.

(d) The wood supply is almost negligible as very little native wood can be obtained. It is possible to pruchase old sleepers from both the Kin-Han and Tao-Ching R.R.,but of Course this supply is limited. We can always guarantee a good coal supply, however,as the Peking Syndicate Mines are located at Chiaotso which is 37 miles to the west on the Tao-Ching R.R. There are also numerous native mines in that district. The Fu Chung Corporation which is a selling organization for the native and foreign mining rights have agencies in all the principal towns in Honan. Coal can also be obtained in large quantities at Fenglochen which is located on the Kin-Han Line to the north and is the distrubuting center for coal brought from the mines about 60 li to the west. A narrow gauge railroad runs from the Kin-Han back to these mines.

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(f) Gasoline is not regularly to be had in these parts, but at times small stocks are carried by the agents of the Standard Oil Company at Sinsiang, Tamingfu and Kaichow.These stocks would only amount to ten or twenty cases. At times it might also be possible to procure a case or two of lubricating oil such as, Auto XX at the above mentioned points. Kerosine can always be obtained in almost every town in Honan,and in large quantities at Tzechow, Changteh, Wei Hwei fu,Sinsiang,Taokow, Chiaotso, Tsinghwa, Tamingfu and Kaichow.

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SINSIANG HSIEN, HONAN PROVINCE, CHINA.

H. A. COMBAT.

2366. January 6th, 1920.

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(i) No local garrison stationed in Sinsiang. The magistrate has his own troops,about fifty in number, which are garrisoned in the city as shown on the attached map.

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(l) There are no meter or improved roads in this section. On the map of Honan Province we have shown the cart roads in this section about which we have any first hand knowledge. These marked as good cart roads could be used for light moter truck traffic except during the rainy season which extends from June to September.

(m) Outside of the railways there are only limited facilities for transpertation. About 80 Chinese carts with two draft mules to each,about 150 coolies,and about five for six junks is all that could be mustered together in a few days.

(n) The only Americans residing in Sinsiang at the present time are A.H. Thomas and C.K. Gish of the Mei Foo Hong;and J. Lynch of the Fu Chung Corp. All reside in the settlement three minutes walk from the station.

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Liu Wu Chan,owner of firm known as Teh Tai Cheng, agent for the S O Co.

Wang Hsiao Wu. Manager of above firm.

There are several clerks in the Sinsiang office of the S.O. Co.who could be relied upon,but as that office is to be removed to Chiaotso the first part of next year we'll give their address as Chiaotso care of Mei Foo Hong. Their names are :-

Wang Ping Hsun

SINSIANG HSIEN, HONAN PROVINCE, CHINA.

H. A. COMBAT.

2366. January 6th, 1920

Wang Ping Hsun
Wang Hai Ting
Chi Ching Chuen.

The above Also applies to the Americans living is Sinsiang attched to the S.O. Co. The first part of next year their quarters will be removed to Chiaotso.

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1 Enc or.

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch

2053-349

Number of copies 3

Copy No 1

APR. 17 1920

SUBJECT CHENTOW, CHIHLI PROVINCE, CHINA. WAR DEPARTMENT

From M. A. COMBAT.

No. 2365. Date January 6th, 1920., 19

Replying to No. Date , 19

13 - LOCATION.

RECD, M.I.B., O.C.S. APR 7 1920

The following report dated December 19th, 1919, was received from a most reliable source in Chentow, Chihli province, China.

1. Map sketch enclosed herewith. We have not been able to get materials for making a more complete one. Roughly to scale with places noted as asked.

2. This section map worked out in much detail has already been submiited to Tientsin, under our Confidential Memo of November 8th, 1919.

a.

3. There are possibly 100 buildings in Chentow village which could be used for quartering troops. This includes all military barracks at present used by the Chinese, and other fairly well built commercial houses.

b.

Suitable camp sites abound on every hand. The surrounding country is flat, with very few streams of any kind, and there is no draw back to the use for camp sites, as the water supply comes from shallow wells in the section.

c.

The entire local water supply is from shallow wells. There are no streams within 8 miles of the village,--that one is to the North, and is called the Pu To Ho. An abundant supply of water can be gotten from the wells alreasy dug,--and in very short time plenty more could be made, as the water seems to be everywhere, down at a distance of 16 feet.

d.

Normally there is always a large fuel supply at Chentow in storage, as this is the transhipping point for the coal derived from Mines on the Ligne de Tchengtai. Estimated normal storage at least 20,000 tons. The famous Ching Hsing Mines are only 30 miles to the West on the Shansi (Ligne de Tchengtai) Railway.

e. Food supply

Binding Margin.

SUBJECT CHENTOW, CHIHLI PROVINCE, CHINA.

From H. A. COMBAT.

No. 2365. Date January 6th, 1920 19

Replying to No. Date 19

R.E.'D, M.I.B., G.G.S. APR 7 1920

e.
e.
Food supply -- Chentow only keeps on hand enough to supply about 8,000 people, -- and as the normal railway connections are very good no great future supplies are held here. The surrounding farms produce some small grain, -- no rice, -- indicating that foreign troops stationed here would have to depend mainly upon imported food stuffs.
f.
No considerable quantity of gasoline is normally held in stock at Chentow. The normal stock of kerosene runs to about 200,000 gallons, -- however there is plenty of storage room already constructed in the village and if necessary plenty could be stored here.
g.
There is at present no wireless or radio set installed in or near this village to the writer's knowledge.
h.
Sidings -- Estimated local Kin-Han (wide gauge) about 2 miles in all. Estimated Ligne de Tchengtai (1 meter gayge) about 2 miles in all. Rolling stock Kin - Han 2 yard engines, and say 60 cars, flat, coal, and closed freight only. Ligne de Tchengtai -- 12 small French engines, and say roughly 200 cars (20 ton).
i.
Local Chinese Barracks to accomodate 2,000 soldiers, very poor condition, -- very bad construction.
k.
No information of any value.
l.
No information of any value.
m.
Roughly 300 -- 1 mule carts with animals, and 1,000 coolies.
n.

Mr. Blake, Sten.	BAT Co.	Chentow	BAT Mess.	
Mr. Boddie	"	"	"	"
Mr. M.H.Hartigan	"	"	"	"
Mr. S.S.Wright	"	"	"	" & Mrs. Wright
Mr. A.G.Warner	Socony	"	Sonony	Residence
Mr. D.C.Reib	"	"	"	" & Mrs. Reib.

O.
There are at least 100 of the local gentry who would be with us. These people are personally known to the BAT Americans and the Socony Staff. Counting other classes of people we would estimate at least 1,000 would come out for us in all, in case of fighting.

p. Aeroplane

Binding Margin.

SUBJECT CHENTOW, CHIHLI PROVINCE, CHINA.

From H. A. COMBAT.

No. 2365. Date January 6th, 1920. 19

Replying to No. Date 19

R'D. M.I.B., O.C.S. APR 12 1920

p.
Areoplane landings can be found practically anywhere in this section. The only limit to landing in the Chentow vincinity is the break of hills about 10 miles to the West. This is not counting the spares trees which are scattered over the plainland,-- as these trees are not so numerous as to seriously obstruct such landings.

General:-

We regret very much the delay in the submission of this report which was unavoidable due to the Chentow staff being travelling.

We have used every possible precaution to keep all of the contents of this memo strictly confidential and wish to advise that to the knowledge of Mr. Reib your or iginal memo has only been made known to the following gentlemen:-

Mr. A. C. Cornish
Mr. A. G. Warner.

We would suggest in closing that if a really technical military information type of report is wanted, an expert with full mapping and survey equipment be sent to Chentow to gather the full data. This is next to impossible for the ordinary layman. We can afford the means to such an expert, if he comes to us as an ordinary visitor, which would enable him within 5 days time to get a compete topography of this whole section, as well as all of the civil and industrial features that are essential to such a report. At the same time the object of this gentleman's visit could be easily concealed.

Binding Margin.

1 Enc

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OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch

APR 7 1920

2053-337

WAR DEPARTMENT

SUBJECT---KIUKIANG, KIANGSI PROVINCE, CHINA.

From---H. A. COMBAT.

No.---2367. *Date*---January 7, 1920. APR 7 1920, *19*

Replying to No.--- REC'D, M. I. B., O. C. S. APR 1920 *Date*---, 19

13 - LOCATION.

The following report was received from a most reliable source in Kiukiang, China.

Map. We enclose a copy of the only map we could find. This map was the property of the railroad and the only map of Kiu Kiang which has been made to our knowledge. Our difficulties in getting this map out of the railroad office long enough to copy it were the causes of our delay in answering your questions.

There are no new roads, no public waterworks of any kind, no artesian wells or good water supply, no wireless and no railroad sidings. There are no docks, ships coming up to hulks with shore connections by means of pontoons.

Possible landing places have been marked on the map.

1. Map. Telegraph office, post office and electric light plany have been marked. There is waterworks.

2. We don not vouch for the reliability of the map except in a general way. The scale may be completely off. in detail.

3.(a) The foreign concession is composed entirely of foreign style buildings but all are private buildings and only three or four belonging to Americans. The concession is also a British concession under the jurisdiction of the British Consul. There are no large Chinese buildings of note outside the concession. On the map where "military dwellings" is noted there are some Chinese barracks probable capable of quartering several hundred men.

(b) The best camp site is by the railroad station on the foreshore. There is as much room as may be desired for any number of troops and animals, also water supply for animals. The river itself is the best water supply for men near Kiu Kiang as there are no clear lakes or springs that I know of.

(c) Answered above.

(d) There are no coal mines in the near vicinity, coal supplies coming from 200 miles up country. There is no wood to speak of except back on the hills, ten miles away. A camp site having wood supplies near-by would be possible five miles down river from Kiu Kiang. Water supply no better there than at above place Coal yards usually holding large stocks are right by the railroad station.

(e) All Chinese grown vegetables and meats are available for purchase in the Chinese city. Foreign shipping concerns B & S, Jardine Matheson, have large stocks of beans or tea in their godowns at the right seasons.

(f) Standard

Binding Margin.

SUBJECT Kiukiang, Kiangsi Province, China.

From H. A. COMBAT.

No. 2367. Date January 7th, 1920., 19

Replying to No. Date , 19

REC'D, M. I. B., D. C. S. APR 7 1920

(f) Standard Oil Co. and A.P.Co. both located here with their installations holding large quantities of kerosene stocks five miles below Kiu Kiang. Only small gasolene stocks on hand unless ordered from Shanghai.

(g) We know of no wireless equipment in Kiu Kiang of in Kiangsi Province.

(h) Only one railroad which runs only to Nanchang, one hundred miles away. Three engines and probably about forty cars in all.

(i) Mentioned above.

(j) Mentioned above.

(k) None.

(l) None. Only one road over which motor truck or motor of any kind can be used and this road only runs to Kuling, the summer resort in the mountains fifteen miles back of Kiu Kiang. Even a motor cycle would be useless here.

(m) Impossible to answer as available boats depends upon time of year and peculiar conditions. Would estimate that probably two or three hundred junks could be rounded up usually on three days notice. No horses or carts as there is no use for them. Everything goes by the railroad to Nanchang or by water through Poyang Lake to Nanchang.

(n) Excluding missionaries of which there are legion we name:- B.M.Smith, L.V.Collings, R.M.Moore and W.Wallace of the Standard Oil Co.; G.Sargent of the B.A.T.Co.; Stubbert, port doctor. There may be a few others but I cannot think of them. Of the above R.M.Moore has finished a three year time as second lieutenant in infantry and W.Wallace has just finished one year as second lieutenant in heavy artillery. At our installation we have G.Cook, as American who spent a number of years inthe navy, as mechanic.

(o) There aren't any. No Chinese could be relied on to make any sacrifices for a country for which he cares nothing. If the Japanese were the enemy, I could find quite a number to be relied on.

(p) Noted on map.

Binding Margin

Number of copies....3
Copy No 3

1 Enc only

OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.
2033-357

APR 7 1920

NOTED M. I. B.

WAR DEPARTMENT

KIUKIANG, KIANGSI PROVINCE, CHINA.

just.

H. A. COMBAT.

2367. January 7th, 1920.

REC'D, M. I. B., O. C. S. APR 5 1920

13 - LOCATION.

The following report was received from a most reliable source in Kiukiang, China.

Map. We enclose a copy of the only map we could find. This map was the property of the railroad and the only map of Kiu Kiang which has been made to our knowledge. Our difficulties in getting this map out of the railroad office long enough to copy it were the causes of our delay in answering your questions.

There are no new roads, no public waterworks of any kind, no artesian wells or good water supply, no wireless and no railroad sidings. There are no docks, ships coming up to hulks with shore connections by means of pontoons.

Possible landing places have been marked on the map.

1. Map. Telegraph office, post office and electric light plany have been marked. There is waterworks.

2. We don not vouch for the reliability of the map except in a general way. The scale may be completely off. in detail.

3.(a) The foreign concession is composed entirely of foreign style buildings but all are private buildings and only three or four belonging to Americans. The concession is also a British concession under the jurisdiction of the British Consul. There are no large Chinese buildings of note outside the concession. On the map where "military dwellings" is noted there are some Chinese barracks probable capable of quartering several hundred men.

(b) The best camp site is by the railroad station on the foreshore. There is as much room as may be desired for any number of troops and animals, also water supply for animals. The river itself is the best water supply for men near Kiu Kiang as there are no clear lakes or springs that I know of.

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Kiukiang,, Kiangsi Province, China.

H. A. COMBAT.

2367. January 7th, 1920.

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(o) There aren't any. No Chinese could be relied on to make any sacrifices for a country for which he cares nothing. If the Japanese were the enemy, I could find quite a number to be relied on.

(p) Noted on map.

Ok copy returned m29

205-785-1 Mr. Barnett

Kiukiang, a prefectural city of the province of Kiangsi, is situated on the right bank of the Yangtse kiang, lat. 29 44'N., long. 115 59'E., is 438 miles above the entrance of the Woosung River leading to Shanghai and 118 miles down river from Hankow. It is a walled city whose walls are about 3 miles in circumference and are close to the river. They enclose government offices and some temples. The principal street runs east & west, and traverses the large suburb outside the walls on its western side, westward of which the British Concession extends about 500 yards parallel to the river. There are comparatively few houses inside the city wall, the enclosed land being under cultivation. The majority of the Chinese live in a suburb immediately behind the British Concession, where all business is transacted. The population is estimated at 90 to 100,000. The foreign community is small and includes the British Consul, a physician, and employees of the Chinese Maritime Customs. Steam launches ply from the Chinese bund to various points in the Poyang Lake district. About one mile inland on the opposite side of the river there is a village and military station.

NOTED M.I.G.

Vessels of 27 feet draught can reach Kiukiang during the high water period. During the low water period vessels of 9' draught can ordinarily get into the harbor, although it frequently happens that vessels of this draught are detained below Kiukiang, until the channel is scoured out from the deposits left by the summer floods. Information as to depths available can always be obtained from the Chinese Maritime Customs, or direct by telegraph from the harbor master at Kiukiang. Several hulks are moored off Kiukiang, connected with the shore by pontoons, they are used by river steamers to discharge cargo into and to load cargo from. they are the property of British, Chinese & Japanese firms. The climate is hot from June to September, the temperature frequently rises above 100 F. in the shade, in the winter it is cold and bracing, with snow & frost from December to March 1. About 8 or 9 miles from Kiukiang is the health resort known as Kuling at an elevation of 3,500, feet there is a good road between Kiukiang and the fouthils. Meat and vegetables can be obtained in quantities. A small supply of coal can also be obtained. A large supply of Kerosine Oil is availabe from Socony and the A. P. C. as well as Lubricating Oils.

All steamers plying on the Yangtse kiang call regularly at Kiukiang. Launches ply from Kiukiang to various places on the Poyang Lake and to other points accessable by water. A railway connects Kiukiang with Nanchang, and a connecting line from Nanchang to Shiu chau in Kwangtung province is contemplated, to which place there is already a railway from Canton, the gauge of the railway is 4' 8½" telegraph lines connect Kiukiang with Nanchang and Canton to the South. Shanghai to the East and Hankow to the west. There is also a line from Kiukiang to Kuling. There is a cable crossing at Kiukiang to the north bank of the river. Post Offices are operated through out the province in charge of a special district post master (foreigner) with headquarters at Nanchang.

The river near Kiukiang is deep and rapid, strong N.E. winds cause considerable sea, the holding ground is bad, the bottom consisting of coarse gravel. Vessels frequently ride with the anchors down. It is necessary to moor, as the anchorage space is limited. The river current is always toward the sea at a rate of from 1 to 2 knots in winter and 5 knots in summer, the rate is accelerated by strong westerly winds.

In the northern part of the province of Kiangsi, a province rich in minerals and agricultural land, there is a large flat, or nearly flat, area, about 600 square miles in extent, surrounded by higher land, which sometimes rises to mountainous heights, which is separated excepting in one place, viz. at Hukau, from the valley of the Yangtse kiang. This area, which presents different aspects at different seasons of the year, is known generally as the Poyang Lake. It extends north and south for a distance of about 60 miles, and varies in breadth from 3 to 20 miles. Several rivers run into or through this area, the principal one being the Kan kiang; other include the Ning kiang, the Chang kiang, the Loan kiang, the Kwang sin kiang, and the Fu kiang as well as the tributaries to the Kan kiang, the most important river in the province of Kiangsi.

During the summer this large area is covered with water and dotted here and there with islands on which villages are situated; but in the winter it is, a gigantic snipe marsh intersected by shallow drain channels, which drain the waters of the marsh into one of the rivers which meander through the marsh towards a common outlet at Hukau into the Yangtse kiang, which outlet is known as the Poyang junction; the islands of the summer become low hills in the winter, round which exist area of cultivated land, more or less extensive, which the inhabitants of the various villages are employed in tilling for their subsistence.

The Yangtse kiang rises and falls regularly, being low in the winter and high in the summer, the difference between its summer and winter levels being on an average 29½ feet at Kiukiang, and sometimes ranging as much as 41 feet. This annual rise and fall of the Yangtse kiang produces much the same effect on the basin of the Poyang Lake as the semidiurnal rise and fall of the ocean has on the harbours adjacent to the coast of the United Kingdom-Ports-mouth harbour, for instance, where when the water outside is low the harbour area is a muddy flat, through which the various drain channels meander towards the channel of the Fareham river, running into the Solent; but when the water outside is high the stream runs into and fills the harbour area almost entirely, leaving only some of the higher banks uncovered.

In the case of the Poyang Lake, it must be pointed out that throughout China the summer is the rainy season and the winter the dry season, so that not only is the Yangtse kiang in flood in the summer, but also the Kan kiang, and the other rivers flowing into the Poyang Lake. How much of the water in the Poyang Lake in the summer is due to the discharge of the rivers running through the province of Kiangsi and how much to the Yangtse kiang cannot be stated, for no observations as to the stream in the Poyang junction have been recorded, so that it is uncertain whether at any time the water is running from the Yangtse into the lake or from the lake into the Yangtse. It may well be that the streams may frequently alternate when the Yangtse and the lake are both high, for it is very unlikely that fluctuations in level will occur simultaneously in both the lake and the Yangtse, for the area of the catchment basin which affects the Kan kiang is widely separated from the area of the catchment basin affecting the Yangtse; sothat freshets may occur in the Kan kiang when the level of the Yangtse is comparatively steady, or vice versa; but, at any rate, the rise of the Yangtse dams up the waters of the Poyang Lake and prevents their escaping through the Poyang junction. Probably the inflow and outflow from the lake depends principally on the weather conditions prevailing over the catchment basins, which produce, or may produce freshets, either in the Kan kiang or the Yangtse kiang.

The fisheries in the lake and its tributaries are said to be important.

Accurate observations respecting the rise and fall of the level of the Poyang Lake and its tributaries have not been made, and until they are no certain account can be given of the fluctuations in level; all that can be said with certainty is that the lake is high in summer and low in winter. It appears, however, that the Kan kiang rises and falls with surprising rapidity, for at Nanchang in 1901 it fell 10 feet in 24 hours; but this rapid fall apparently had little effect on the level of the water in the lake, or in the Yangtse, as it occurred on a day when the Yangtse was rising at Kiukiang, and actually touched the highest flood level for the year, whilst two days after the fall at Nanchang the level of the Poyang Lake had hardly altered at Jao chau, that town and the neighbouring country being still inundated. Nor would the range of level in the lake appears to be as much as the range in level of the Yangtse at Kiukiang; the Chinese pilots informed the officer commanding H.M.S. Teal in 1903 that the difference between the summer and winter levels at Jao chau was about 20 feet. The difference of level in the Chu lung ho is said to be 15 feet in summer above its winter height. In the great flood of 1901 the rivers running into the lake, and the lake itself rose more rapidly and more destructively than the Yangtse, though the flood waters drained off sooner into the channels through the lake.

These statements must be received with caution, but they tend to show that the level of the Poyang Lake cannot be foretold from the height of the Yangtse as recorded at Kiukiang, and until accurate results are available no proper description can be given.

The configuration of the lake is widely different in its northern part from that of its southern portion. In the northern or Outer part it is long and narrow, in the southern or Inner part it is nearly square. It is therefore convenient to describe first its Outer and then its Inner part.

The Outer part of the Poyang lake from its entrance, abreast Hukau (Lat. 29 45' N.,long. 116 13'E.), to the narrows at Lao yeh miau (Lat. 29 21' N.,long. 116 2'E.), is 25 miles in length, with an average breadth of 4 miles when its level is high.

During the winter the greater part of this area consists of sandbanks, more or less uncovered, through which a meandering channel of no great width, about 3 cables, conveys the waters of Kiangsi rivers into the Yangtse, through the Poyang junction, and thence to the sea. This channel appears to be navigable at all seasons for vessels of light draught, 2 to 3 feet. In the summer the whole area is covered, the water space being only confined by the points formed by spurs from the hills on each side between which it penetrates into the lower land and forms bays; occasionally some of the hills on each side are isolated, at the high level of the lake, and then appear to be islands, so that viewed by different observers, at different seasons of the year, it seems difficult to reconcile their descriptions of the area under consideration.

The eastern shore of the Outer part of the lake consists of a series of elevated headlands, with bays between. These headlands are named: Mang shan (Lat. 29 33'N.,long. 116 10'E.) Ping fong shan (Lat. 29 29½'N.,long. 116 8'E.) To mi shan (Lat. 29 27'N.,long. 116 8'E.), and Lao yeh miau (Lat. 29 21½'N.,long. 116 3' E.).

The western shore of the Outer part of the lake is at first flat, with a small isolated range of low hills a mile or two inland, in front of the undulating hills which extend to Kiukiang. This is succeeded by spurs descending from the mountains of Lu shan, which form points at Taku tang (Lat. 29 37'N.,long. 116 8'E.) Tsing shan (Lat. 29 34'N.,long. 116 6'E.) Chang shan tao (Lat. 29 29½'N., long. 116 5'E.). Rocky point.

(Lat. 29 35'N.,long.116 4'E.), and a point north of Chuki in lat. 29 20' N.,long. 116 2'E.; between these points are inlets more or less extensive, depending on the level of the water in the lake, through which the brooks formed by the waters descending through the valleys of the Lu shan are discharged into the lake.

There are, on the western shore of the lake, the villages of Taku tang (Lat. 29 37'N.) and Wang yeh miau (Lat. 29 33'N.), as well as the walled town of Nan kang (Lat. 29 24½'N.,long. 116 2'E.).

The feature which dominates the western shore of the Outer part of the Poyang Lake is a range of mountains from 4,000 to 5,000 feet in height, named Lu shan.

The backbone, or watershed, of this range runs in a general direction of 25 and 205 true for 12 miles. At its northern end is the conical peak of Ta wa shan (Lat. 29 35'N., long. 116 59'E.), about 5,000 feet high, which appears to be the sumit of the range from the Yangtse Kiang and the town of Kiukiang. From it a rocky, straggling, irregular ridge runs to the north-eastward, and decreasing in height spreads out like a fan towards Taku tan and Tsing shan; it is crossed at Wu chau ling by the road from Kiukiang to Nan kang.

South of Ta wa shan two lofty spurs extend in an east and west direction; the one to the westward, named Chiang ching tai, is 3,800 feet high, whilst the one to the eastward, named Chi tu chan, is 4,500 feet in height; between them is Ku niu ling tou, 4,600 feet high, immediately southwest of which is the town of Kuling, a hill station to which many of the European residents in China resort during the summer months to escape from the heat and moist atmosphere of the plains. From Ku niu ling tou a spur extends in a southerly and south-easterly direction to Wu lao feng, a mountain, 4,600 feet in height, which has precipitous cliffs towards the lake, presenting a gigantic line of precipices, which form the dominant feature in the landscape as seen from the Poyang Lake on its west side. South-westward from the Wu lao feng the ridge extends towards Shih tsu yen and Nan lu shan, each about 5,000 feet high, and ends in a series of spurs towards Nan kang.

At Lao yeh miau the lake channel is narrowed to 1½ miles, and this may be said to be the dividing line between the Outer and Inner parts of the Poyang Lake.

This area which extends roughly 35 miles in a north and south direction and nearly the same distance east and west is, at the season when the level of the lake is high, that is, in the summer, a lake of shallow water, bounded by points of occasional moderately-elevated rocky land and many islands, some of which are inhabited and cultivated; but the bulk of the land surrounding it is low, and sloping gently, so that a rise or fall of a foot or so in the lake level considerably alters the area covered by the water; in fact, the low land and shallow unnavigable water on which patches of reeds are to be sometimes seen, are so inextricably mingled that it is difficult to say where the one ends and the other begins. The islands for the most part are either sand-dunes or embanked rise lands. When the level of the lake is low, during the winter, the whole area is a vast plain of alternate reed fens and sand, through which meander a network of sluggish shallow rivers or drain channels. The sand is almost entirely devoid of vegetation, though here and there a few scattered, stunted fir trees exist. In places where a hill, or protruding rock of some older and harder formation, affords a core around which sand can become piled, it rises into mounds, or slopes, of quite a respectable elevation, and those portions of the land not buried in sand, are fertile, cultivated, and permanently inhabited. These portions appear as islands in the summer and low hills during the winter.

The rivers of the province of Kiangsi run into this upper part of the lake; the Chu lung ho into its north-east part, the Chang kiang and Loan Clang past Jao chau into its eastern part; the Kwang sin kiang and the Fu kiang into its south-eastern part, and the Kan kiang and Ning kiang into its western part.

H.M.S. Kinsha, 180 feet long, 30 feet broad, with a draught of 6½ to 7½ feet, proceeded in April, 1905, when the water level at Kiukiang was between 23 and 27 feet into the Poyang Lake to Nan kiang, and up the Kan kiang to Nanchang and back. The Shasi, a steamer belonging to Messrs. Butterfield & Swire, plies on the lake and up to Nanchang. The Asiatic Petroleum Company have a vessel the Kai Hwen (with a motor engine), 150 feet long, 27 feet broad, with a draught of ~~from~~ 2 feet 2 inches when loaded lightly to 3 feet when loaded to her full capacity, which trades up the Poyang Lake to the ports of Jao chau, Nan kang, Nanchang, &c., throughout the year, carrying about 200 tons of oil, and with excellent accommodation for four European passengers. Another motor vessel, the Asiatica, also made several trips up the lake. Mei Shan 160 x 27 x 3'-10" Draft runs across lake. Mei Hu class 145 x 24 x 6'-10" Draft have run to Kianfu at present. Steam launches, some of which have a burden of 80 tons, trade regularly from Kiukiang to all the abovementioned ports, as well as to Wuching at the entrance to the Kan kiang. They appears to be always able to reach Wuching. What the precise limit of draught is when the lake is low seems doubtful. During the summer when the level of the lake is high, it is probable that vessels drawing 10 feet could visit any of the towns on the lake. In the navigable channels there are often fishing stakes, which serve to indicate the deepest water.

The portion of the Yangtse between Blakeney reach and the Poyang Lake is named Poyang junction. This channel leads in a direct line from the Poyang lake into Blakeney reach. The water discharged into it from the lake is often quite clear, where as the waters of the Yangtse, which enter the Poyang junction by channels north and south of Oliphant island, are charged with matter held in suspension; the channel north of Oliphant island has a direction almost at right angles to the Poyang junction, and when the Yangtse is at a high level in the summer the discharge from that channel acts as a dam, blocking up the water in the Poyang lake. Near the head of the junction is the town of Hukau.

HUKAUis a town situated on the right bank of the Poyang junction, in lat. 29 44½'N., long. 116 3½'E. It is a walled town, and its walls enclose a large area, as they are extended to the hills behind, but only the small level space by the side of the river is occupied by buildings. It possesses several large temples or monasteries within and without its walls, the principal of which stands on the Shih chung shan, or Tsa chi head, at the north end of the town. In the hall of this temple are hundreds of memorial tablets of officers and men killed in the Taiping rebellion. Groves of trees in the valleys and on the hill sides behind the town give it a pleasant appearance. There are some forts on Tsa chi head and also on the sandy spit opposite, which constitute the left bank of the Poyang junction. The channel into the lake is about 4 cables in width.

This town is the head-quarters of the officer in charge of the Yangtse defences and of the river police from Anking to Yo chau, but the forts are under the orders of the Taotai of Kiukiang. Between Hukau and the headland next southward is a camber for junks which offers shelter to a large number of those vessels; over 60 were seen in it in 1912. A British steamship company has a passenger agency here.
The population of Hukau is estimated at 20,000.

Good anchorage can be obtained by shallow draught vessels off Hukau, but the depth at low river is only 10 or 12 feet. At high river there is ample depth.

Six and a half miles above Hukau, is a remarkable rock, rising out of the lake. It is named Hsieh shan (Shoe rock) or Taku shan. By Europeans it is sometimes named "Great Orphan". The southern end of this rock is a nearly perpendicular cliff some 200 feet high; its other sides are steep in all directions. Its summit, 250 feet high, is crowned by a conspicuous pagoda, near which are some temples and clumps of trees. It is situated in lat. 29 37½'N., long. 116 10'E.

Taku tang is a large village on the western shore of the Outer Poyang lake, about 9 miles above Hukau. It was formerly a favourite summer resort and sanatorium for Europeans, but since Kuling has been built it has lost its popularity for that purpose. The China Inland Mission has some property here, pleasantly situated on the southern slope of the hills by the village. There is an Imperial Chinese Custom-house at Taku tang where dues are collected from all junks leaving the lake. The distance overland to Kiukiang is about 10 miles, and there is a good road between the two places.

The navigable route from Hukau to Taku tang runs in a general direction of 208 true; it is fairly straight and about 4 cables in width, bounded on each side by sandbanks, which dry when the lake is at its low level. It passes close westward of Taku shan. The depth in the channel in winter appears to be shallow and only available for small junks or river gunboats.

Taku tang has good anchorage off it. Large numbers of junks anchor here laden with produce from all parts of the lake, and much of the produce is sent by road to Kiukiang.

From Taku tang the navigable channel runs in a direction 205 true towards Hanging rock, situated off the north-east end of the promontory of Tsingshan in lat. 29 35½'N., long. 116 7¼'E. This rock dries 25 feet or upwards when the lake is low. It is a conspicuous striped rock, and the navigable channel runs close eastward of it, the depths being 6 fathoms in the summer. Between Hanging rock and Taku tang is a bay, more or less deep, according to the height of the lake, which receives the waters of the brook which has its soure in the Lu shan, between Ta wa shan and Chi tu shan.

South-westward from the Hanging rock is a ridge named Tsing shan, about 3 miles in length in a direction 215 true, which forms the south-eastern side of a promontory connected in the winter to one of the spurs from the Lu shan, but apparently isolated when the lake is at its highest level, when it appears to be an island. At the north end is the village of Ka ma shih, and at the south end the village of Wang yeh miao, about a mile north-east from which is a temple. The navigable channel runs near the coast of the Tsing shan peninsula, south of which is a bay, more or less deep, into which flows the brook which has its sources in the Lu shan range, between Chi tu shan and Wu lao feng.

From Wang yeh miao, at the southern end of the Tsing shanrange, the navigable channel takes a direction 145 true for 4 miles to Ping fong shan, on the eastern side of the lower part of the Poyang lake, whilst on the western side shallow water extends for 2½ miles. Ping fong shan is a bold headland in lat. 29 29½'N., long. 116 8'E., with depths of 5 to 8 fathoms close to it when the level of the lake is high; hills reaching a height of 500 feet are situated 1½ miles inside the point. On the south side of Ping fong shan a stream runs into the bay, between it and To mi shan. The depths in the channel between Wang yeh miao and Ping fong shan appear to be from 3 to 4 fathoms in the summer.

From Ping fong shan the navigable channel takes a direction of 185 true for 3 miles to the South-western point of Ta mi shan, off which

is the Widows rock, marked by a spar beacon. This rock dries 3 feet or more in the winter season, and the navigable channel is between it and To mi shan.

To mi shan is a hilly peninsula in winter and an island some 200 feet high in summer; between it and Ping fong shan, to the northward, is a deep bay, the actual extent of which depends on the lake level at the time it is seen. South of To mi shan is another deep bay. The depths in the navigable channel which runs close to To mi shan are from 3 to 5 fathoms in the summer.

From the Widows rock, off To mi shan, the navigable channel has a direction of 243 true to Nan kang for a little over 5 miles. This is a walled town on the western shore of the Outer Poyang lake, in a situation of remarkable beauty almost under the shadow of the southern and south-eastern peaks of the Lu shan range. Two pagodas on the headland east of the town are conspicuous landmarks. It has a harbour for junks facing south which is protected by a double line of breakwaters, the outer of which is covered when the lake is at its high level in the summer. Nan kang, although the capital of a prefecture, is now a poor place, which seems never to have recovered its prosperity since the Taiping rebellion in 1856, but the town contains many marks of its former greatness, principally in the form of ornamental archways. The inhabitants, about 10,000 in number, appear to be proud of their harbour works. The principal industries are the quarrying of steatite and kaolin, and the sale of ink slabs.

Off the town of Nan kang is an isolated rock, always uncovered, named Lo sien tun, in lat. 29 23' 50"N., long. 116 1' 30"E. Here the navigable channel turns gradually from a direction of 243 true to a direction of 160 true, or nearly at right angles, for the narrows between Lao yeh miau on the east side, and of Battery point on the west side of these narrows, which separate or join the lower and upper parts of the Poyang lake.

HSIU-FENG-SU and PAI LU TUNG are two interesting places north-west 4 or 5 miles from Nan kang; Hsiu feng su is a temple on the slope of Nan lu shan, near two magnificent waterfalls; and Pai lu tung, on the slope of Wu lao feng, is one of the most renowned of the educational foundations connected with the culture of Confucianism.

LAO YEH MIAU.- is situated 2⅝ miles in a direction 155 true from Lo sien tun, is a remarkable headland with a temple near its extremity, near which there are one or two huts, but there is no village. It consists apparently of a core of rocky hills, which has collected a mass of yellow sand, rising to a height of some 100 feet or upwards. These sandhills extend for some miles in a direction a little to the north of East. There is said to be good anchorage south of Lao yeh miau, and it is a favourite locality of the Junks seeking shelter from strong adverse winds when bound down the Outer Poyang lake.

BATTERY POINT, situated 2½ miles in a direction 185 true from Lao yeh miau, is the most salient point on the west side of the channel from the Outer to the Inner Poyang lake. The land here is cliffy, about 100 to 120 feet high, and the hills are similar to those at Lao yeh miau. The navigable channel is nearer Lao yeh miau than Battery point, and the depths are from 4 to 5 fathoms in the summer. A bank extends about three quarters of a mile from Battery point, and on it is a small stone which is uncovered when the level of the lake is sufficiently low.

CHUKI, or the standard of Chu, is a village on the cliffy shore one mile and a half above Battery point. Near it is the base of the signal

staff, from which the standard of Chu yuan chang flew during the great battle on the Poyang lake in 1363, which decided the fate of China, and made him the first Emperor of the Ming dynasty. Hence the name of the village. To the south-westward of Chuki a large bay, as yet unexplored, exists, which received the waters of the river flowing past Teian, a town situated south of the Lu shan range. The railway from Kiukiang to Nanchang passes through Teian hsien, a large bridge crosses the river there. The position of Teian is given as Lat. 29 16'N.,long. 115 52'E., in the atlas of the Chinese Empire, compiled under the authority of the Chinese Inland Mission, but the river has not been ascended by any gun-vessels or river boats. In clear weather a large round-topped hill is visible from the bay south of Chuki, otherwise the country is so flat that the coast cannot be made out distinctly. The bay is said to be navigable, but the entrance to the river is blocked by a sand-bar.

Chuki (pronounced Chu chi) is the bunt of navigation at low water. Can always get 4'-5' below Chuki, but about 2' to 2' 6" from here on at low water.

RIVERS FLOWING INTO THE UPPER POYANG LAKE.- Vessels having passed Lao yeh miau take routes depending on the rivers and places to which they are bound. If intending to visit Wuching at the confluence of the Kan kiang and Nan kiang, the route is round Battery point into the Ringdove channel, a somewhat winding route, first to the south-westward and then to the south-eastward, whilst from Wuching either the Ku kiang or the Ning kiang can be ascended. If intending to visit the Chu lung ho, on which the town of Nan fung is situated, or the Chang kiang, the Loan kiang, the Kwang sin kiang, or the Fu kiang, the route turns to the eastward towards Fo chang hsien.

THE RINGDOVE CHANNEL.- This channel which commences at about 3 miles above Lao yeh miau and leads to Wuchang, is 120 to 300 yards in width, with a least depth of about 3½ fathoms when the level of the lake is high in the summer. It takes first a general south-westerly direction for 3½ miles, and then bends round to the southward and south-eastward, and is bifurcated by a large sandbank. The channel is marked by beacons, but it has not been systematically examined, and local knowledge is required topass through it safely.

The native appear to have a scanty knowledge of the channels in the Inner Poyang lake at the period when its level is low, so that too much confidence must not be placed in them, but they are naturally better acquainted with the routes tothe main trading centres on the rivers flowing into the lake.

WUCHING.- This town is situated on an island or peninsula, low but well above flood level, at the confluence of the Kan kiang with the Ning kiang is lat. 29 11½'N.,long.116 1'E. On the point at its north-east end is a conspicuous pagoda, which can be seen from the higher peaks of the Lu shan range. It is neither a walled city nor the capital of an administrative district, though a sub-prefect (Erh.fu), under the Nanchang prefect, resides here. It is a prosperous commercial town, fairly easy of access by steam launches and small junks, even during the winter, and communication between it and Kiukiang is steadily maintained, whilst it is in fairly easy communication with Nanchang on the Kan kiang and with Jao chau on the eastern side of the upper part of the Poyang lake. The Plymouth brethren have a mission station here.

POPULATION.- The population of Wuching is estimated to be about 30,000.

Both the Kan kiang and the Ning kiang, in the vicinity of Wuchang are usually crowded with junks at anchow.

THE KAN KIANG.- This river, with its tributaries, may be said to be the arterial system of the trade of the province of Kiangsi. Its sources are in the southern portion of that province, where four subsidiary streams rise and, uniting at Kanchau in about lat. 26° N.,long 114¾ E., flow in a general northerly direction for 250 miles to Wuching, and into the Poyang lake. The four subsidiary streams at its source are (1) the Tao kiang, which rises in the Kao shan range in approximately lat. 24¾ N.,long 114½ E., and flows in a general direction of 20 true towards Kanchau; (2) the Chi kiang, which rises near the Meiling pass in approximately lat. 25½ N., long.114 E., and flows in a general direction of 70 true towards Kanchau; (3) the Kung kiang and Mei kiang, which, rising in the Tachin shan range, the mountains forming the boundary between the province of Kiangsi and Fukien, flow in a general westerly direction towards Kanchau, joining one another before reaching that city; and (4) the Shang yu kiang, which rises in the Wanyang shan, the range separating the province of Kiangsi from that

of Nganan, and flows in a general easterly direction to Kanchau.

From Kanchau northwards the tributaries of the Ka kiang are (1) the Tseki, which, rising in the Wanyang shan, flows eastward and joins the Kan kiang near Wanan in approximately lat. 26⅔ N.,long. 114½ E.; (2) the Lu kiang and the Lu shui, which rise in the Hwang yu shan range in approximately lat. 27 N.,long. 113½ E., and flowing eastward join each other a few miles before flowing into the Kan kiang at Kian fu in approximately lat. 27 N.,long. 115 E.;(3) the Yen kiang, which rises in the Wukung shan in approximately lat. 27 N.,long. 115½ E., and flows first to the north and then tothe west Joinin the Kan kiang at Kishui, 10 to 15 miles below Kian fu; (4) the Sin kiang or Yuan chau river, when, rising in the Lo siao shan in about lat. 27½ N.,long. 114 E., near Pingheing ki, where there are coal mines, flows eastward until it joins the Kan kiang at Chang shu in approximately lat. 28 N.,long. 115½ E.; (5) the Shu or Kin kiang, which, rising in the Tung shan range in approximately lat. 28½ N.,long. 114½ E., flows in a general easterly direction past Jui chau fu into the Kan kiang at Shih cha (Lat. 28 29½'N.,long. 115 50'E.). North of the Kin kiang a range of mountains, named Hwalin shan and Tung shan, stretches westward from Nanchang to the boundary of the Kiang si province.

The rate of the stream between Wuching and Nanchang did not exceed 2½ knots in August.

The Kan kiang is said to be navigable at certain seasons certainly to Kanchau and sometimes toNanan fu in approximately lat. 25½ N.,long. 114½ E., from whence the distance to Canton is about 150 miles. Goods brought up to Nanan fu are transported over the Meiling pass, 1,000 feet high, by road to Canton. H.M. river gunboat Snipe ascended the Kan kiang to Kian fu (Lat. 27 N.,long. 115 E.), in June, 1906, H.M.S. Kinsha, draught about 7 feet, went to Nanchang in April, 1905. Mei Yun runs to Kianfu with ease for about 5 to 6 months per year, during summer. The navigation is said to be easy for vessels of small draught for about 20 miles above Wuching, after that it is more difficult. Navigation quite easy all the way to Kianfu for 4 Draft or more in high water.

The distance from Wuching to Nanchang by the river is 35 miles; for the first few miles the river is little but a channel through fens and swamps. having to the eastward an alluvial delta with few natural elevations, thoug there are a few villages on low hills which appear as islands when the lake level is high; the most important village appears to be Miao hsien, about 3 miles south from Wuching; the land near the villages is dyked and cultiva ed. Through the marsh land to the eastward there are numerous shallow junk channels.

Nine or 10 miles above Wuching the river banks become fairly well defined and are often wooded. To the westward there is at first also marshy land, but it is not continuous, being varied occasionally by ridges of low sandstone hills. About 13 miles above Wuching there is a horseshoe bend, beyond which is the Lower Siao chia tsang village. Three and a half miles further on is the Upper Siao chia tsang; both villages are populous, and near the Upper village is a Likin station, near which a branch of the Ning kiang joins the Kan kiang; for the Ning kiang is divided at Tukiapu (Lat. 29 4'E.,long.115 50'E.), into two branches, one of which flows north-eastward to Wuching and the other south-eastward to a little above the Upper Siao chia tsang village. From this point upwards to Nanchang the land on the left bank of the Kan kiang becomes gradually higher, for the mountain ranges named Hwalin shan, and Tung shan, extend westward to the borders of Kiangsi, and join the Kuling shan ranges in the province of Hunan. These mountains are said to be 3,000 feet in height, but they do not appear to have been as yet mapped.

Just above the Upper Siao chia tsang village there is a temple and grove of trees on a hill 100 feet high in lat. 28 56'N.,long.116 0'E. South of this temple there are undulating hills, 100 to 150 feet high, at the upper end of which there is another temple on a hill, and a village named Chiao she on the left bank of the river.

Just above Chiao she there is an island in lat. 28 51'N.,long. 116 0'E., and there appear to be affluents both east and west from this island, but they have not been examined; the navigable channel is east of the island. Two miles further up the river is the village of Wang chia tu on the right bank of the Kan kiang. Close to Wang chia tu the river bifurcates round a large island, in the one case taking a direction of about 250 true through Mayers reach for 4½ miles to Keling shan, and then turning in a direction of 190 true towards Nanchang through Pitman reach, whilst the other channel, after bending round the point on which Wang chia tu is situated, runs in a general direction of 220 true to Nanchang. Three miles below Nanchang the Tung hai ho branched off to the eastward. It may be pointed out that the right bank of the Kan kiang from Wushing to Nanchang is low.

NANCHANG.- This walled town situated in the province of Kiangsi, of which it is the captil, on the right bank of the Kan kiang in lat. 28 41'N.,long. 115 53½'E., id for the most part a crowded city, though within its walls are some open spaces, ponds, and mulberry gardens. The walls are about 5 miles in circuit, but there are suburbs outside the walls. This city formerly stood on the shore of the Poyang lake, although it is now about 15 miles from its extreme southern border when the level of the lake is high. This city, the largest in Kiangsi, has had its principal streets widened and the pavements improved. In it a building, formerly a temple, has been converted into an office for the Director of Railways of Kiangsi. Large and prosperous shops are numerous in all the principal streets of Nanchang, and it is believed that real and wide-spread desire exists amongst the inhabitants to improve the city in accordance with European idea. Jibrickshaws ply for hir A newspaper under Japanese patronage is published at Nanchang, and the varie missionary bodies that work here appear to be satisfied with the attitude of the Chinese authorities and people. Of the Protestant Mission, the one whose activity is most in evidence is the United States Methodist Episcopal Mission. This society owns a large property outside the north gate of Nanchang, near the river, where commodious residences and schools have been constructed in foreign style. Connected with this society is a women's hospital. Of British societies, the China Inland Mission has a station at the south end of Nanchang, and the Plymouth Brethren have establishments and missionaries in the city.

Immediately north of Nanchang there is a region of undulating sand, but most of the city and the ground around stands in a low plain scarcely above the lake when its level is at its greatest height.

Abreast of Nanchang the Kan kiang us a wide river, divided into several channels by sandbanks, and just north of Nanchang is a new provincial mint, which has tall chimneys, visible for several miles. There is a military college in the city.

The population of Nanchang is estimated to be about 400,000.

There is an Imperial post office at Nanchang, with facilities for transmitting money orders, and there is also a telegraph office.

About 25 steam launches, of which the largest is 82 tons, belonging to eight Chinese companies, ply between Kiukiang and the Kan kiang coming to Nanchang when there is sufficient water. The launches carry passengers principally, and tow junks down the river to Taku tang, or even to Kiukiang, but they usually sail upwards, having generally a fair wind. The journey up from Kiukiang to Nanchang usually occupies a day and a half for the launches, as they have to pass the night at Wuching. The down trip is usually accomplished by them in one day.

The greater part of the junks and timber rafts seen at Nanchang anchor for shelter in the stream passing along the south-western side of Nanchang.

Above Nanchang the Kan kiang has at first a direction 214 true to Shun mi shan for 4 miles. Here there are some low hills and a Likin station. The left bank of the river is steep and well wooded, whilst the right is a sloping mudbank. One mile below Shunn mi shan, banks extend from each side of the river and narrow the navigable channel, which had a depth in it of 2½ fathoms in July, 1901.

From Shunn mi shan the Kan kiang has a general southerly direction to Shau cha or Shih cha, a large town in lat. 28 29½'N., long. 115 50'E. The right bank of the river is low and protected by dykes; the left bank is generally higher, and in places diversified by undulating hills. About 1½ miles above Shunn mi shan there is a hill on the left bank, crowned with a temple and some trees. Off this hill shallow water extends from the left bank of the river for about 4 cables, whilst the right bank, opposite, is steep-to and well wooded. Four miles above Shun mi shan there is an island in midchannel from which a shoal projects in a northerly direction for about a mile, formed, doubtless, by the eddy under the lee of the island caused by the descending stream. The navigable channel is west of the island and close to the left bank of the river, which, when above the shoal off the Temple hill, is steep-to, with depths of 3 to 3½ fathoms in July 1901. Just inside the steep bank, on the left side of the Kan kiang, there is a ridge of hills about 200 feet high, southward of which is another temple in the midst of a clump of trees, near a village and some joss poles. On the right bank of the river, one mile and a half above the island in mid-stream, is the village of San shai tien, opposite an oppening on the left bank. Here a bend in the river begins, caused by a sandbank which extends 4 cables from the left bank of the river, opposite a remarkable tree near some houses on the right bank, in lat. 28 31¼'N., the navigable route is here close to the right bank. When past the shoal extending from the left bank of the river widens and receives the waters of the Shu, or Kin, kiang, which flows into the Kan kiang from the westward just below Shau cha. This river, though about 120 miles in length, appears to be only navigable for native craft of small draught. The town of Jui chau fu is situated on the Shu kiang. A little over a mile above Shau cha there is a shoal a mile in length off the left bank of the river, and 2½ miles above Shau cha there are some sandhills on the left bank of the river, opposite a village on the right bank; close northward of the village there is a grove of trees, and in this locality the navigable channel is narrowed by a shoal extending from the right bank and a rocky ledge from the left bank, the depth in the channel being 2 fathoms in July 1901. Further up, in lat. 28 25'N., a shoal extends from the left bank which narrow the navigable channel to a width of 70 yards. After passing thisshoal the river bends gradually round from about 160 true to 253 true to Nien yu tan, just bwlow which a rather stricking headland with red cliffs, surmounted by a ruined temple, is conspicuous on the left bank of the river. The headland is named Lung tu shan.

NIEN YU TAN.- This rapid, the lowest on the Kan kiang, is situated in lat 25 20½'N.,long.115 44½'E. It was ascended by H.M.S. Teal in April, 1905, and by H.M.S. Snipe in June 1906. The sandbanks in its vicinity are liable to constant change; the rapid had a rate of 5 knots in June 1906, and the least depth obtained by H.M.S. Snipe was 6 feet in June, 1906.

Two miles above Nien yu tan is the large walled town of Feng cheng hsien, which has a very fine bund and an imposing flight of steps leading from the water's edge to the top of the bund. Here there are several striking temples, and the houses are good. It is on the right bank of the river, which is here guarded by extensive stone embankments. From this locality two distant conical hills are seen to the westward in clear weather. The Teal anchored here in April, 1905.

CHANG SHU.- This is a large town situated on the right bank of the Kan kiang, about 20 miles above Feng cheng hsien, or 22 miles above Nien yu tan. The town is not so large as Feng cheng hsien, but derives a certain importance as a centre of the drug trade, and from its vicinity to the Sin kiang or Yuan chau river, which joins the Kan kiang about a mile below Chang shu, making Chang shu the river port of the towns on the Sin kiang. The population of Chang shu is estimated to be about 10,000 mostly engaged in agricultural pursuits. The China Inland Mission has a station here. It is a telegraph station.

The river from Feng cheng hsien is at first very wide, and the navigable channel crosses frequently from one bank to the other; at a place about a mile below Ta chia pu H.M.S. Snipe found in 1906 a shallow patch with 6 feet over it. From thence to Chang shu the channel was well marked and deeper.

THE SIN KIANG, or Yuan chau river, which rises in Kuling shan, in the province of Hunan, in approximately lat. 28 25'N.,long. 113 45'E., and in Lo siao shan in lat. 27 30'N.,long. 114 0'E., is probably the richest in minerals in the whole of Kiangsi. Coal is extensively found from Fen yi hsien upwards to Pinghsiang. In the Yuan chau prefecture, about 5 miles from Pinghsiang, coal mines are being worked by a China-German syndicate. From here a railway runs to the westward to Changsha, the capital of Hunan. See page also 253.

On the Sin kiang the important towns are Yuan chau, not far from its source, and Lin kiang, about 10 miles above its mouth, but the level of the water was too low in June 1906, to allow the Snipe to enter the Sin kiang. The traffic on the river by light-draught junks is, however, said to be considerable.

The navigation from Chang shu to Kian fu requires local knowledge, and it is advisable to get at Chang shu a pilot from one of the junks that has recently descended the river. The banks of the river are mostly shingle, and many rafts and junks ground on them. A little above a town named Sha yang hsien, the river passes between high hills through a kind of gorge, where the stream had a rate of 4 to 5 knots in June 1906. The telegraph wire to Kian fu crosses overland in this gorge. Above the gorge, at the junction of the Yen kiang with the Kan kiang is the large and imposing walled town of Ki shui, where there is a large junk traffic. From here to Kian fu the channel is intricate, and there are many shoal patches.

KIAN FU.- This large city, on the left bank of the Kan kiang, was reached by H.M.S. Snipe in June. 1906. This city has an imposing frontag extending for about 2 miles along the river bank. The area enclosed within the walls appears to be small, and is occupied pricipally by official residences and

temples. The suburbs are large, and the population is estimated to be about 300,000. There is a large amount of native cloth manufactured at Kian fu. It is a telegraph station.

A number of European missionaries, Roman Catholic and Protestant, are stationed here, and there is a large hospital and orphanage. Most of the children of the officials and gentry attend the schools of the missions. The position of Kian fu is given in the atlas of the China Inland Mission as lat. 27 3' N., long. 114 54' E., but this must be considered very approximately. This is the heighest point reached by H.M.S. Snipe in [illegible], 1906. The vessel left Kian fu for Nanchang on the 11th June.

KAN KIANG ABOVE KIAN FU.- Above Kian fu the river is said to be swift, and more or less obstructed by rapids, especially some rapids about 20 miles below Kanshaw named Shih-pa-tan or Eighteen rapids, formed by ledges of rock, running across the river, but these are not insurmountable. A powerful light-draught river gunboat would probably be able to get to Kanchau, about 100 miles above Kian fu is provided with sufficient coals and not tied to time, for it is probable that delays might be experienced at each rapid, as they might only be navigable during, or immediately after, freshets. Junks constantly reach Kanchau and Nanan fu, from whence a road leads over the Meiling pass, 30 miles to Nan hsiang chau on the north river of Canton.

The river from Kianfu to Wanan Hsien is of the same type as below Kianfu, and is easy navigation when equipped with good pilots.

Above Wanan hsien comes the rapids. This distance is about 64 miles. It is perfectly safe when the rocks are covered by more than the shyss draft. This is only about 40 li say 10 miles of rock stretches. Here good piloting is essential. Socony watermarks situated at Wanan hsien, just below the rock stretch, and at Hanchow. When the water is high there is nothing to this run. When the water is low it is absolutely impossable to any power vessel over 50/60' long. Excellent piloting is required even for these small boats at this time. Even junks come to puf at this time if not properly piloted.

Special boats run from Kanchau to Nanan fu. This stretch said to be very swift and badly obstructed by an enormous number of large water wheels built out into the river, together with the dams to lead the water to the wheels. Probably difficult if not impossible of passage by power vessel on this account.

M. Bassett
Shanghai, China

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APR 7 1920

WAR DEPARTMENT

OFFICE CHIEF OF STAFF
Executive Division
War Records Section

SUBJECT: CHUNKING, SZECHUAN PROVINCE, CHINA.

From M. A., China. COMBAT.

No. 2262. Date January 8th, 1920. 19

Replying to No. Date 19

REC'D, M. I. B., O. C. S. APR 7 1920

13 - LOCATION.

The following report dated November 20, 1919, was received from a most reliable source in Chunking, Szech'uan province, China.

I. Map of Chungking City.

By separate mail two maps of Chungking, in duplicate, are being forwarded to the Legation. One map was made by a French military officer some ten years ago, and is now published by the local Catholic Mission. The second map was made by Chinese, and is quite accurate, and in many ways is much better than the French map. On both maps the following places of importance have been indicated:

1. Telegraph Office ( )
2. Post Office ( )
3. Electric Light Plant ( )
4. American Consulate ( )
5. Large Drill Ground ( )
6. British Consulate ( )
6a. French Consulate ( )
7. Japanese Consulate ( )
8. Office and Barrack - Commissioner of Defense, ( )
9. Commissioner for Foreign Affairs ( )
10. Kweichow Troops Barracks ( )
11. Customs House ( )
12. American Methodist Mission ( )
13. Catholic Church ( )
14. Catholic Church with Clock Tower ( )
15. Chamber of Commerce Building ( )
16. Office of Magistrate ( )
17. Office of Taoyin ( )
18. Police Station ( )
19. Canadian Methodist Mission ( ).

Compounds in which American reside are indicated by a blue circle.

II. Map of the Chunking Consular District.

Two maps of the Province of Szechuan ( ) are being forwarded to the Legation. These maps are published by the Chinese Post Office, and are valuable because of the fact that the Chinese characters for the cities and towns are given. The Military Attache is recommended to purchase from the Tientsin Press, Ltd., or from Kelly & Walsh, the British War Office maps of

Ssuch'uan/

Binding Margin.

SUBJECT Chungking, Szech'uan province, China.

From H. A. COMBAT.

No. 2369. Date January 8th, 1920. 19

Replying to No. Date 19

REC'D, M. I. B., O. C. S. APR 7 1920

Ssuch'uan. These maps do not show the Chinese characters.

III. Information for Commanders of Troops Arriving in the Chungking Consular District.

(a). In Chungking city there is a large number of large temples where detachments of troops could be quartered:

(b). The most suitable place - that is from the point of view of large buildings and large open area, is the office of the Commissioner of Defense - marked No.10, on the maps. This place is occupied by the Kwei-chow troops, although it is marked in Chinese as the office of the Commissioner of Defense ( ).

(2). No. 8 is the second best place.

(3). The temple called "Ch'ang An Su" ( ) marked No. 20 on the maps is very large.

(4). No. 21 is the 4th best place. The Chinese name is Chiang Nan Kuan ( ), a guild hall.

(5). No. 22 - Wan Shou Kung ( ), another guild hall, suitable.

(6). 23, Yu Wang Miao ( ), suitable.

(7). 24, Sheng Miao ( ) - suitable.

(8). No. 25 - Normal School, ( ).

(9). Chinese Middle & Technical Schools out Lin Chiang and T'ung Yuan Gates. ( ).

(10). No. 26 - Ti Hsin T'ang ( ), a large temple.

(b). Suitable Camp Sites: The best camp site is at Fu Tou Kuan, ( ), which is about five miles from Chungking, and which is reached by the road leading through the T'ung Yuan Gate ( ) about one hundred yeards from the American Consulate, and which is also reached through the Nan Chi Gate ( ), also not very far from the American Consulate. Across the river from Chungking, on the hills facing the Yangtze River, are numerous places where large bodies of troops could be encamped. There is plenty of open ground, and while the water supply would be one of the difficulties, it would appear that the best place for large camps would be on those hills.

(c)./

Binding Margin.

SUBJECT CHUNKING, SZECHUAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2362. Date January 8th, 1920., 19

Replying to No. Date, 19

(c). Available Water Supply: There are few wells in Chungking. The water used in all the households is brought up from the two rivers (Yangtze and Chialing) in buckets by water coolies, each coolie carrying two buckets. Tens of thousands of coolies are engaged in this work, and there would not be much difficulty in securing large numbers of coolies to bring water up to the camps or buildings where troops are quartered. All the water must of course be boiled. There are no water works in Chungking or in any other place in the district.

(b). Available Fuel Supply: Coal cannot be bought in large quantities at one time. Most of the steaming coal comes from Lung Wang Tung mines about 40 miles from Chungking. It is mined so slowly that no great quantities are ever in stock. The Yu Kee Coal Company has the coal monopoly and this firm carries from 300 to 2000 tons in stock, the amount depending on the political conditions and the opportunities to work the mines. There are, however, a great many surface coal veins throughout the neighboring land where coal of poor quality and in small quantities is mined for domestic use.

(e). Food Supplies: Ssuch'uan itself, a province with a population of approximately 70,000,000 people, is practically self supporting. Large quantities of supplies cannot be bought at one time without considerable notice in advance to the dealers, or compradores who find it necessary to pick the supplies here and there in the surrounding country. Fresh provisions are brought in from the surrounding country daily to the markets. Such provisions as: corn, rice, tomatoes, sweet potatoes, egg-plant, spinach, cucumbers peas, turnips, carrots, cabbage, etc., beef, pork, chickens, pidgeons, ducks, and gees can be puchased in season. All dried onions and white potatoes are brought in from lower river ports.

(f). Local Supplies of Gasoline and Oil: The Standard Oil Company of New York, an American Company, and the Asiatic Petroleum Company, Ltd., A British Company, maintain office and large godowns and installations in Chungking. The Standar Oil Company's installation is at Shu Chia Pa ( ) near the Chinese Mint. In this godown there is generally stored at least 375,000 cases of kerosene oil - 3,750,000 gallons. The Standard Oil Company also has a tank with a capacity of 800,000

gallons/

Binding Margin.

SUBJECT CHUNKING, SZECHUAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2369. Date January 8th, 1920.

Replying to No. Date , 19

REC'D, M.I.B., O.C.S. APR 7 1920

gallons, but the tank never contains more than 400,000 gallons. The Asiatic Petroleum Company has a godown which holds about 300,000 cases or 3,000,000 gallons, and a tank which is as large as that of the Standard Oil Company's. Very little gasolene is carried in stock.

(g). Equipment of Wireless, Radius, etc. Aboard the U. S. S. "Palos", generally stationed at Chungking, there is a 2 kilowatt rotary gap radio. This is a very good installation, but its usefulness is hampered by the presence of high hills and mountains. The iron deposits also have a bad effect on the radio. However, it is believed that communicated with Hankow or Shanghai could be established in case of emergency.

(h). Docks: There are no railroads in Ssuch'uan Province. There are no docks on either the Yangtze or Chialing Rivers, but there are several pontoons, notably, the pontoon of the Standard Oil Company, and of the Ssuch'an Steam Navigation Company, nearby. These pontoons are indicated on the French map thus: The best place to land troops would probably be at the anchorage of the gunboats, known as Lung Men Hao ( ), opposite the city of Chungking. Small sampans can land anywhere. If it were desired to land near the Consulate, a steamer could sail up river and sampans could carry the men and supplies to the shore. It would be rather difficult to effect a landing in this manner under fire, while it would be quite easy to land men at the gunboat anchorages.

There are no regular anchorages off Chungking suitable for gunboats and steamers during all the seasons of the year. Pole moors are constantly used by steamers and gunboats except that the British and American gunboats have permanent summer moorings off Lung Men Hao but it is necessary for them as for all others to haul in or haul out according to the circumstances, bearing in mind always that the river fluctuates greatly during the summer freshets.

The anchorages and berths are:-

1. At Tang Chia T'o ( ), 7 miles below Chungking, abreast the Asiatic Petroleum Company's installation, there is an excellent mooring place

during all/

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SUBJECT CHUNKING, SZECHUAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2369. Date January 8th, 1920., 19

Replying to No. Date, 19

during all seasons of the year, and especially in the summer seasons during the very high water.

2. Wang Kia T'o ( ). Here is a small basin a little below and opposite the mouth of the Kialing River which is sheltered from the current by a projecting rock reef. There is usually a back-wash in this vicinity which makes it necessary for a boat to moor bow and stern, using poles against the bank. This is the favorite anchorage of the French gunboat. The French Naval Barracks are here.

3. Shih Tse Shan ( ). Along the water-front in front of the Customs buildings is a very good berthing place. Just above the Customs Club is a berth for merchant steamers, abreast the Club is the German (now Japanese) gunboat anchorage. Immediately below in a small basin there are berthing places for five steamers at a time. Here the Standard Oil Company's steamers have a pontoon. At high water there is considerable back-wash in this vicinity. In all these anchorages pole moors are made.

4. Lung Men Hao, ( ). In front of this village are the permanent berths of the British and American gunboats. Here permanent summer moorings are laid out with proper hauling in and hauling out lines and the area is enclosed by rocky reefs which cover when water mark is 30 feet. When these reefs are covered the current is excessively strong but as soon as they uncover the current subsides considerably. During the freshet season it is necessary to be on the alert at all times for the rise and fall ofthe water. The greatest daily rise during 1919 was in the month of July when it rose 27 feet in 24 hours. In the late fall with the water falling it is advisable to drop down to the winter morrings when the water level reaches 12 feet provided that the chance for another rise are doubtful.

5. About two miles above Lung Men Hao, abreast the Standard Oil Company's installation is a pontoon. Here the Standard Oil Steamers lie to discharge their oil. During the high river levels there is a strong back-wash here, besides at intervals during the summer months the blowing up river sometimes cause consideration damage to the pontoon.

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SUBJECT CHUNKING, SZECHUAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2369. Date January 8th, 1920., 19

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(i). Local Garrison Barracks. The main barracks of the local garrisions are indicated on the Chinese map and on the French map by red circles, thus 8 and 10 About 1,000 troops are quartered in each barrack. There is no foreign garrision in Chungking.

(j). Location of Waterworks, Electric Light Plants, etc As indicated above, there are no water works in Chungking. The electric light plant is indicated on the maps thus: 3 The telegraph office is indicated thus: 1

(k). There is an arsenal at Wanhsien ( ) on the Yangtze River, which is known as the Hsiu Ch'iang Chang ( ). There is a large arsenal at Chengtu ( ), the provincial capital, which is known as the Ping Kung Ch'ang ( ).

(l). There are no motor roads in the Chungking consular District. Between Chungking and Chengtu there is a famous stone road, which is known as the Chengtu. Road. One missionary believes that a skilled and nervy motorcycle rider could make the journey between Chungking and Chengtu in two days, whereas it takes ten days to make the journey by chair. This road is fifteen to twenty wide, and is very well built. Across the river is a good stone road leading into the province of Kueichow. ( ), about 70 miles distant. This road across several high ranges, and as a matter of fact, it is really a series of stone most of the way. The few roads there are built of stone, and for that reason, from a military point of view, can be considered excellent roads.

(m). There are no rialroads, and transportation would be entirely dependent on native boats, some steamers and coolies. At least ten thousand coolies could be secured within a week and probably more. Several hundred horses, which are very sure footed, and which are excellent for travelling in the hills around Chungking, can be procured without much difficulty. Everything on land would have to be carried by coolies, as the width of the streets, which are from four to 18 or 20 feet wide, makes any kind of vehicle impossible. Even the ordinary Chinese wheel barrow or push cart is impossible in Chungking, and anything more than 10 or 12 feet long could not be moved or turned around. There is an unlimited number of sampans, and there is also a large number of large junks, of several hundred tons burden. There are the following steamers which run between Ichang and Chungking, and also between

Chungking/

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SUBJECT CHUNKING, SZECHUAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2369. Date January 8th, 1920. 19

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Chungking and Suifu ( ). These steamers do not run in winter because the water drops to a few feet. Navigation closes generally in November, and open about March or April.

LIST OF STREAMERS.		NATIONALITY.
"Meichuan"	( )	American
"Meitan"	( )	"
"Anlan"	( )	British
"Shuhun"	( )	Chinese
"Shutung"	( )	"
"Tachuan"	( )	"
"Yuanchi"	( )	"
"Chialing"	( )	"
"Suiyu"	( )	"
"Hungfu"	( )	"
"Hungchiang"	( )	"

(n). List of Americans in Chungking City.

Sokobin, Samuel, American Vice Consul.
( )

Andrews, H. E. V., China Inland Mission, Wife and 3 children.
( ) ( )

Foreman, E. J. Miss, Women's Foreign Missionary Society.
( ) ( )

Holiday, W. G., Standard Oil Company, wife.
( ) ( )

Homet, R. S., Standard Oil Company.
( )

Holmes, L. L., Miss, Women's Foreign Missionary Society.
( ) ( )

Hooker, W. C., American Bible Society, wife & 2 children.
( ) ( )

Jones, D. Miss, Women's Foreign Missionary Society.
( ) ( )

Lutz, E. L., Seventh Day Adventist Mission, wife.
( ) ( )

McCartney, J. H. Dr. American Chinese Drug Company, wife.
( ) ( )

McCurdy, W. A., Methodist Episcopal Mission, wife.
( ) ( )

Peat, J. F., Methodist Episcopal Mission.
( ) ( )

Rape, C. B., Methodist Episcopal Mission, wife & 4 children.
( ) ( )

Rossiter, H. B. Miss, Women's Foreign Missionary Society.
( ) ( )

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SUBJECT CHUNKING, SZECHUAN PROVINCE, CHINA.

From U. S. A. COMBAT.

No. 2369. Date January 8th, 1920., 19

Replying to No. Date , 19

Wells, A. M., Miss, Women's Foreign Missionary Society.
( ) ( )
Williams, E. T., Chinese Customs House.
( ) ( )
Warren, M. C., Seventh Day Adventist Mission, wife & 2
( ) ( ) children.
Wood, N. G., Standard Oil Company.
( ) ( ).

(o). List of Chinese Known to be Pro-American, and Who Are Reliable.

Chang Yin-hua ( ), Salt Commissioner, ( )
Wang Yun-sung ( ), Manager, Ta Chung Bank, ( ).
Yang Ting-wu, ( ), Vice President, Chungking Chamber of Commerce,
Ku Hsui-tze, ( ), Director, Chungking Industrial School, ( ).
Yuan Keng-tsu, ( ), Jardine Matheson & Co. ( )
Ku Hsueh-yuan ( ), Barry & Dodwell, Ltd., ( )
Teng Hua-i, ( ), Barry & Dodwell, Ltd., ( )
Tsen Yao-kuang ( ), Friends' Institute. ( )
Liu Tzu-yuan ( ), Standard Oil Company ( )
Hsieh Yu-fan ( ), Standard Oil Company, ( )
Liu Tzu-ju, ( ), Singer Sewing Machine Co. ( )
Chou Yun-pu, ( ), American Consulate ( )
Tsu Tsung-fung ( ), American Consulate ( )
Tsu Tsung-fung ( ), " " "
Su Chung-fang ( ), " " "

(p). Landing Fields for Aeroplanes: The Yangtze River, between Shanghai and Ichang, is an ideal place for seaplanes, according to the commander of the U. S. S. "Palos", who has had considerable experience in the flying corps of the navy. This naval officer states that it is perfectly practicable to fly from Ichang to Chungking in a seaplane. During the winter there is a good landing place for air planes near the American Consulate. The mountains between Ichang and Chungking make flying in an airplane very dangerous. Seaplanes, according to the officer, are much better in the hilly and mountainous country in the vicinity of Chungking. There are practically no landing places in the hills, and even the valleys are of no great value because of the numerous stone walls and ditches, and there is no straight away for starting of more than 150 feet.

During the winter months there is generally an

Americans

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SUBJECT CHUNKING, SZECHUAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2369. Date January 8th, 1920., 19

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American gunboat at Chungking, with a crew of about 45 men. There are two British gunboats in Chungking, and also a French gunboat. A Japanese gunboat is stationed at Chungking during the summer. The gunboats can go down to Wanhsien ( ), which is half way between Ichang and Chungking, any time of the year, whereas the large steamers are unable to make the journey. Junks make the trip from Ichang to Wanhsien in three weeks, more or less. There are always large junks that can be chartered.

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CHUNKING, SZECHUAN PROVINCE, CHINA.

M. A., China. COMBAT.

2369. January 8th, 1920.

13 - LOCATION.

The following report dated November 20, 1919, was received from a most reliable source in Chunking, Szech'uan province, China.

I. Map of Chungking City.

By separate mail two maps of Chungking, in duplicate, are being forwarded to the Legation. One map was made by a French military officer some ten years ago, and is now published by the local Catholic Mission. The second map was made by Chinese, and is quite accurate, and in many ways is much better than the French map. On both maps the following places of importance have been indicated:

1. Telegraph Office ( )
2. Post Office ( )
3. Electric Light Plant ( )
4. American Consulate ( )
5. Large Drill Ground ( )
6. British Consulate ( )
6a. French Consulate ( )
7. Japanese Consulate ( )
8. Office and Barrack - Commissioner of Defense. ( )
9. Commissioner for Foreign Affairs ( )
10. Kweichow Troops Barracks ( )
11. Customs House ( )
12. American Methodist Mission ( )
13. Catholic Church ( )
14. Catholic Church with Clock Tower ( )
15. Chamber of Commerce Building ( )
16. Office of Magistrate ( )
17. Office of Taoyin ( )
18. Police Station ( )
19. Canadian Methodist Mission ( ).

Compounds in which Americans reside are indicated by a blue circle.

II. Map of the Chunking Consular District.

Two maps of the Province of Szechuan ( ) are being forwarded to the Legation. These maps are published by the Chinese Post Office, and are valuable because of the fact that the Chinese characters for the cities and towns are given. The Military Attache is recommended to purchase from the Tientsin Press, Ltd., or from Kelly & Walsh, the British War Office maps of

Ssuch'uan/

Chunking, Szech'uan province, China.

H. A. COMBAT.

2369. January 8th, 1920.

Szuch'uan. These maps do not show the Chinese characters.

III. Information for Commanders of Troops Arriving in the Chungking Consular District.

(a). In Chungking city there is a large number of large temples where detachments of troops could be quartered:

(b). The most suitable place - that is from the point of view of large buildings and large open area, is the office of the Commissioner of Defense - marked No.10, on the maps. This place is occupied by the Kwei-chow troops, although it is marked in Chinese as the office of the Commissioner of Defense ( ).

(2). No. 8 is the second best place.

(3). The temple called "Ch'ang An Su" ( ) marked No. 20 on the maps is very large.

(4). No. 21 is the 4th best place. The Chinese name is Chiang Nan Kuan ( ), a guild hall.

(5). No. 22 - Wan Shou Kung ( ), another guild hall, suitable.

(6). 23, Yu Wang Miao ( ), suitable.

(7). 24, Sheng Miao ( ) - suitable.

(8). No. 25 - Normal School, ( ).

(9). Chinese Middle & Technical Schools out Lin Chiang and T'ung Yuan Gates. ( ).

(10). No. 26 - Ti Hsin T'ang ( ), a large temple.

(b). Suitable Camp Sites: The best camp site is at Fu Tou Kuan, ( ), which is about five miles from Chungking, and which is reached by the road leading through the T'ung Yuan Gate ( ) about one hundred yeards from the American Consulate, and which is also reached through the Nan Chi Gate ( ), also not very far from the American Consulate. Across the river from Chungking, on the hills facing the Yangtze River, are numerous places where large bodies of troops could be encamped. There is plenty of open ground, and while the water supply would be one of the difficulties, it would appear that the best place for large camps would be on those hills.

(c)./

CHUNKING, SZECHUAN PROVINCE, CHINA.

H. A. COMBAT.

2369. January 8th, 1920.

(c). Available Water Supply: There are few wells in Chungking. The water used in all the households is brought up from the two rivers (Yangtze and Chialing) in buckets by water coolies, each coolie carrying two buckets. Tens of thousands of coolies are engaged in this work, and there would not be much difficulty in securing large numbers of coolies to bring water up to the camps or buildings where troops are quartered. All the water must of course be boiled. There are no water works in Chungking or in any other place in the district.

(b). Available Fuel Supply: Coal cannot be bought in large quantities at one time. Most of the steaming coal comes from Lung Wang Tung mines about 40 miles from Chungking. It is mined so slowly that no great quantities are ever in stock. The Yu Kee Coal Company has the coal monopoly and this firm carries from 300 to 2000 tons in stock, the amount depending on the political conditions and the opportunities to work the mines. There are, however, a great many surface coal veins throughout the neighboring land where coal of poor quality and in small quantities is mined for domestic use.

(e). Food Supplies: Ssuch'uan itself, a province with a population of approximately 70,000,000 people, is practically self supporting. Large quantities of supplies cannot be bought at one time without considerable notice in advance to the dealers, or compradores who find it necessary to pick the supplies here and there in the surrounding country. Fresh provisions are brought in from the surrounding country daily to the markets. Such provisions as: corn, rice, tomatoes, sweet potatoes, egg-plant, spinach, cucumbers peas, turnips, carrots, cabbage, etc., beef, pork, chickens, pidgeons, ducks, and gees can be puchased in season. All dried onions and white potatoes are brought in from lower river ports.

(f). Local Supplies of Gasoline and Oil: The Standard Oil Company of New York, an American Company, and the Asiatic Petroleum Company, Ltd., A British Company, maintain office and large godowns and installations in Chungking. The Standar Oil Company's installation is at Shu Chia Pa ( ) near the Chinese Mint. In this godown there is generally stored at least 375,000 cases of kerosene oil - 3,750,000 gallons. The Standard Oil Company also has a tank with a capacity of 800,000

gallons/

CHUNKING, SZECHUAN PROVINCE, CHINA.

H. A. COMBAT.

2369. January 8th, 1920.

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(g). Equipment of Wireless, Radius, etc. Aboard the U. S. S. "Palos", generally stationed at Chungking, there is a 2 kilowatt rotary gap radio. This is a very good installation, but its usefulness is hampered by the presence of high hills and mountains. The iron deposits also have a bad effect on the radio. However, it is believed that communicated with Hankow or Shanghai could be established in case of emergency.

(h). Docks: There are no railroads in Ssuch'uan Province. There are no docks on either the Yangtze or Chialing Rivers, but there are several pontoons, notably, the pontoon of the Standard Oil Company, and ofthe Ssuch'an Steam Navigation Company, nearby. These pontoons are indicated on the French map thus: The best plawe to land troops would probably be at the anchorage of the gunboats, known as Lung Men Hao ( ), opposite the city of Chungking. Small sampans can land anywhere. If it were desired to land near the Consulate, a steamer could sail up river and sampans could carry the men and supplies to the shore. It would be rather difficult to effect a landing in this manner under fire, while it would be quite easy to land men at the gunboat anchorages.

There are no regular anchorages off Chungking suitable for gunboats and steamers during all the seasons of the year. Pole moors are constantly used by steamers and gunboats except that the British and American gunboats have permanent summer moorings off Lung Men Hao but it is necessary for them as for all others to haul in or haul out according to the circumstances, bearing in mind always that the river fluctuates greatly during the summer freshets.

The anchorages and berths are:-

1. At Tang Chia T'o ( ), 7 miles below Chungking, abreast the Asiatic Petroleum Company's installation, there is an excellent mooring place

during all/

CHUNKING, SZECHUAN PROVINCE, CHINA.

H. A. COMBAT.

2369. January 8th, 1920.

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2. Wang Kia T'o ( ). Here is a small basin a little below and op osite the mouth of the Kialing River which is sheltered from the current by a projecting rock reef. There is usually a back-wash in this vicinity which makes it necessary for a boat to moor bow and stern, using poles against the bank. This is the favorite anchorage of the French gunboat. The French Naval Barracks are here.

3. Shih Tse Shan ( ). Along the water-front in front of the Customs buildings is a very good berthing place. Just above the Customs Club is a berth for merchant steamers, abreast the Club is the German (now Japanese) gunboat anchorage. Immediately below in a small basin there are berthing places for five steamers at a time. Here the Standard Oil Company's steamers have a pontoon. At high water there is considerable back-wash in this vicinity. In all these anchorages pole moors are made.

4. Lung Men Hao, ( ). In front of this village are the permanent berths of the British and American gunboats. Here permanent summer moorings are laid out with proper hauling in and hauling out lines and the area is enclosed by rocky reefs which cover when water mark is 30 feet. When these reefs are covered the current is excessively strong but as soon as they uncover the current subsides considerably. During the freshet season it is necessary to be on the alert at all times for the rise and fall ofthe water. The greatest daily rise duri ng 1919 was in the month of July when it rose 27 feet in 24 hours. In the late fall with the water falling it is advisable to drop down to the winter morrings when the water level reaches 12 feet provided that the chance for another rise are doubtful.

5. About two miles above Lung Men Hao, abreast the Standard Oil Company's installation is a pontoon. Here the Standard Oil Steamers lie to discharge their oil. During the high river levels there is a strong back-wash here, besides at intervals during the summer months the blowing up river sometimes cause consideration damage to the pontoon.

(1)/

CHUNKING, SZECHUAN PROVINCE, CHINA.

H. A. COMBAT.

2369. January 8th, 1920.

(i). Local Garrison Barracks. The main barracks of the local garrisions are indicated on the Chinese map and on the French map by red circles, thus 8 and 10 About 1,000 troops are quartered in each barrack. There is no foreign garrision in Chungking.

(j). Location of Waterworks, Electric Light Plants, etc As indicated above, there are no water works in Chungking. The electric light plant is indicated on the maps thus: 3 The telegraph office is indicated thus: 1

(k). There is an arsenal at Wanhsien ( ) on the Yangtze River, which is known as the Hsiu Ch'iang Chang ( ). There is a large arsenal at Chengtu ( ), the provincial capital, which is known as the Ping Kung Ch'ang ( ).

(l). There are no motor roads in the Chungking consular District. Between Chungking and Chengtu there is a famous stone road, which is known as the Chengtu, Road. One missionary believes that a skilled and nervy motorcycle rider could make the journey between Chungking and Chengtu in two days, whereas it takes ten days to make the journey by chair. This road is fifteen to twenty wide, and is very well built. Across the river is a good stone road leading into the province of Kueichow. ( ), about 70 miles distant. This road across several high ranges, and as a matter of fact, it is really a series of stone most of the way. The few roads there are built of stone, and for that reason, from a military point of view, can be considered excellent roads.

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CHUNKING, SZECHUAN PROVINCE, CHINA.

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"Suiyu"	( )	"
"Hungfu"	( )	"
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(n). List of Americans in Chungking City.

Sokobin, Samuel, American Vice Consul.
( )
Andrews, H. E. V., China Inland Mission, Wife and 3 children.
( ) ( )
Foreman, E. J. Miss, Women's Foreign Missionary Society.
( ) ( )
Holiday, W. G., Standard Oil Company, wife.
( ) ( )
Homet, R. S., Standard Oil Company.
( )
Holmes, L. L., Miss, Women's Foreign Missionary Society.
( ) ( )
Hooker, W. C., American Bible Society, wife & 2 children.
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Jones, D. Miss, Women's Foreign Missionary Society.
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Luts, E. L., Seventh Day Adventist Mission, wife.
( ) ( )
McCartney, J. H. Dr. American Chinese Drug Company, wife.
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McCurdy, W. A., Methodist Episcopal Mission, wife.
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Peat, J. F., Methodist Episcopal Mission.
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Rape, C. B., Methodist Episcopal Mission, wife & 4 children.
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Rossiter, H. B. Miss, Women's Foreign Missionary Society.
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CHUNKING, SZECHUAN PROVINCE, CHINA.

M. A. COMBAT.

2369. January 8th, 1920.

Wells, A. M., Miss, Women's Foreign Missionary Society.
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Williams, E. T., Chinese Customs House.
( ) ( )
Warren, M. C., Seventh Day Adventist Mission, wife & 2
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Wood, N. G., Standard Oil Company.
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Wang Yun-sung ( ), Manager, Ta Chung Bank, ( ).
Yang Ting-wu, ( ), Vice President, Chungking Chamber of Commerce,
Ku Hsui-tze, ( ), Director, Chungking Industrial School, ( ).
Yuan Keng-tsu, ( ), Jardine Matheson & Co. ( )
Ku Hsueh-yuan ( ), Barry & Dodwell, Ltd., ( )
Teng Hua-i, ( ), Barry & Dodwell, Ltd., ( )
Tsen Yao-kuang ( ), Friends' Institute. ( )
Liu Tzu-yuan ( ), Standard Oil Company ( )
Hsieh Yu-fan ( ), Standard Oil Company, ( )
Liu Tzu-ju, ( ), Singer Sewing Machine Co. ( )
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Tsu Tsung-fung ( ), American Consulate ( )
Tsu Tsung-fung ( ), " " "
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(p). Landing Fields for Aeroplanes: The Yangtze River, between Shanghai and Ichang, is an ideal place for seaplanes, according to the commander of the U. S. S. "Palos", who has had considerable experience in the flying corps of the navy. This naval officer states that it is perfectly practicable to fly from Ichang to Chungking in a seaplane. During the winter there is a good landing place for air planes near the American Consulate. The mountains between Ichang and Chungking make flying in an airplane very dangerous. Seaplanes, according to the officer, are much better in the hilly and mountainous country in the vicinity of Chungking. There are practically no landing places in the hills, and even the valleys are of no great value because of the numerous stone walls and ditches, and there is no straight away for starting of more than 150 feet.

During the winter months there is generally an

Americans/

CHUNKING, SZECHUAN PROVINCE, CHINA.

H. A. COMBAT.

2369. January 8th, 1920.

American gunboat at Chungking, with a crew of about 45 men. There are two British gunboats in Chungking, and also a French gunboat. A Japanese gunboat is stationed at Chungking during the summer. The gunboats can go down to Wanhsien ( ), which is half way between Ichang and Chungking, any time of the year, whereas the large steamers are unable to make the journey. Junks make the trip from Ichang to Wanhsien in three weeks, more or less. There are always large junks that can be chartered.

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APR 1920

CHANGSHA, HUNAN PROVINCE, CHINA. WAR DEPARTMENT

M.I.2

H. A. COMBAT.

2572. January 10th, 1920.

13 - LOCATION.

The following report dated January 1st, 1920, was received from a most reliable source in Changsha, Hunan province.

In connection with the Legation's Instruction of September 26, 1919, (C. NO. 4723), and its Instruction of December 15,1919, (C. NO. 4861), I have the honor to submit the following information about Changsha for the Military Attache:

1. A Chinese map of Changsha is enclosed there being no map in English obtainable. The places, however, about which the Military Attache particularly desires information all have been numbered and with the date written on the map there should be no difficulty in locating them. In addition it has seemed advisable to show on the map the location of the Consulate, of the Governor's yamen, and of the three principal American business houses.

In this connection I may add that the Y.M.C.A. some time ago planned to have published large panoramic maps of Changsha. It now is understood, however, that these plans have been abandoned because the project was found too expensive. Should these maps appear later, copies of them will be sent the Legation.

2. A postal map of Hunan Province is enclosed. This is neither new nor absolutely accurate, but it is the best map of the province that can be obtained.

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(b) No difficulty would be found in securing suitable camping sites for troops within five miles of Changsha. Much of the land on each bank of the Siang River is low-lying, but high ground also is to be found.

(c)

CHANGSHA, HUNAN PROVINCE, CHINA.

H. A. COMBAT.

2372. January 10th, 1920.

(c) Changsha has no public water works system and is without any artesian wells. The Siang River would necessarily be the chief source of supply for water. This water is considered safe after it has been boiled and filtered. There are numerous wells scattered throughout the city, but foreigners do not consider the water they supply as suitable for drinking purposes even after it has been boiled and filtered. Outside of the walled city, near the South gate, there is a very fine spring which is said to produce approximately 24,000 gallons of practically pure water every day. Its location is shown on the map.

(d) There is plenty of coal in Hunan Province, but difficulty might be experienced in securing large quantities suddenly at Changsha. The nearest mines are at Siangtan which is roughly thrity miles south of Changsha and from which coal must be brought by junk. Control of the Hankow-Changsha railway line and control of the railroad running from Changsha to Pingshiang, about ninety miles away, would open up the collieries at the latter place from whcih coal in any quantity could be secured.

Difficulty would certainly be encountered in securing any large amount of wood locally. There is little or no timber in the immdeiate vicinity of Changsha, and while wood is constantly being brought in for the Northern soldiers there are never any large stocks on hand. This wood comes from places south of Changsha, is imported by junk, and to secure a supply in time of need junks in condiderable numbers would be required and it would be necessary to penetrate the Province materially beyond Changsha.

(e) Local missionaries state that a steady supply of flour up to five hundred sacks per day could be relied on. Two miles beyond the north wall of the city is a flour mill, now in operation night and day, and in case Changsha could not supply sufficient flour this probably could be utilized, though it would be necessary to import the wheat. Of course fighting and general disturbed conditions would interfere with food products coming into Changsha and in the case of flour, as is true of the other food products which will be mentioned below, importation probably would be necessary after the stocks actually on hand in Changsha had been exhausted.

There are always large stocks of rice in Changsha and in all probability all of this cereal desired could be obtained without difficulty. Pork is the principal meat eaten by the natives and unless an abnormally

large/

large quantity was required there would be no difficulty in securing whatever might be needed. Small quantities of potatoes can always be purchases in Changsha. Beefs of rather an inferior grade--it generally is distributed by foreigners---may also be obtained in considerable quantities. Fish serves as one of the principal Chinese food products in Changsha and as the fishing industry is one of the main occupations of the Changsha natives this might be a very important food.

(f) Both the Standard Oil Company of New York and the Asiatic Petroleum Company always have in their tanks hundred of thousands of gallons of kerosene. These two companies also carry limited stocks of gasolene. Lubricating oil in considerable quantities may be purchased from the Standard Oil Company and from Andersen, Meyer & Company, Ltd., which represents the Vacuum Oil Company in Changsha.

(g) There is no wireless nor radio station in Changsha. Ordinarily there is an American gunboats in the river during the winter months, and periodically throughout the other seasons of the years, which has a wireless installation. The British and Japanese gunboats which are here during the winter months and occasionally at other times also have wireless.

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Changsha is connected with Hankow by the completed part of the Canton Hankow Railway which runs south thirty miles further to Chuchow. It is impossible to say what equipment this railroad has, as the engineer in charge at Changsha objects to giving any information on this point until he is told why it is desired . This office, however, understands that the line has about twenty-five engines, six or eight of which generally are in Changsha and the others being engines which are held at Hankow or are somewhere along the line. The line also has number of passenger cars, flat cars and

box cars/

CHANGSHA, HUNAN PROVINCE, CHINA.

M. A. COMBAT.

2572. January 10th, 1920.

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(i) The principal barracks now used by the Northern soldiers are shown on the enclosed map. In addition to these troops are quartered in small squads in temples and schools all over the city. Many of the soldiers have wives or concubines in Changsha and are permitted to live in the city. There are no barracks for foreign troops

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of Changsha/

CHANGSHA, HUNAN PROVINCE, CHINA.

H. A. COMBAT.

2372. January 10th, 1920.

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(m) In addition to the railwoad, additional transportation for troops would have to be almost entirely by water. With the exception of the roads already mentioned, nowhere in or around Changsha are there roads over which wagons or carts could be used. There are a very few small ponies in and around the city, but their very fewness would limit their usefulness.

Ordinarily junks can be had at Changsha in sufficient numbers to satisfy any but a most extraordinary demand. Fighting, however, might alarm their owners and the junks might be sent up river, in which case it would be necessary to send out from Changsha to secure junks. If troops were brought up by water it certainly would be a good plan to bring as many junks as possible from Yochow and the other places along the river.

Supplies would necessarily be transported by coolies, either on their backs or in wheelbarrows. There would be no difficulty whatever in securing any number of coolies for this work.

The following is a list of the Americans in Changsha with their addresses:

NAME	ADDRESS
Branch, Dr. J. R. B.	Yale Mission
Wife and two children	
Cameron, Rev. A.N.	Faith Orphanage
Wife	
Corbett, Ross John	Standard Oil Company of N. Y.
Wife and two Children	
Davis, Miss Ethel L.	American Presbyterian Mission
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Wife	
de Ballard, Joseph R.	Asia Banking Corporation
Dunham, Harry J.	Yale Mission
Wife and two children	
Dunlap, Rev. Irving R.	United Evangelical Mission
Wife and three children	
Gage, Rev. Brownell	Yale Mission
Wife and three children	
Gage, Miss Nina D.	Yale Mission
Green, Geogge H.	Standard Oil Company Installation
Wife	

CHANGSHA, HUNAN PROVINCE, CHINA.

H. A. COMBAT.

2372. January 10th, 1920.

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Harmon, H. S.	Standard Oil Company of N. Y.
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Keller, Frank A.	Bible Insititute of Los Angles
Wife	
Keller, Mrs. Martha G.	" " " " "
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Wife	
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Wife and children	
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Li, Chin Leong	Yale Mission
Wife and children	
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Powell, Ralph W.	Yale Mission
Wife	
Prescptt, Francis G.	Andersen, Meyer & Company, Ltd.
Rice, John P.	Yale Mission
Wife	
Ritzman, Michael E.	United Evangelical Mission
Rounds, Harold J.	Y. M. C. A.
Wife	
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Shibley, Gerald S.	" "
Wife	
Smith, Harold V.	" "
Wife and one child	
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Stewart, Deaconess Gertrude,	American Church Mission
Strunk, Miss Elvira M.	United Evangelical Mission
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Williams, James W.	Yale Mission
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CHANGSHA, HUNAN PROVINCE, CHINA.

M. A. COMBAT.

2572. January 10th, 1920.

In addition to these in the Consulate there is Consul Mahlon F. Perkins, Mrs. Perkins and one child, and Vice Consul Andrew J. Brewer.

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In this connection it may be added that there are American in Changsha who have been here for years, who know every corner of the city and who speak the language fluently. Their services as interpreters and guides, and they could be relied on gladly to render these services, would be of inestimable value.

(p) Two possible landing places for aeroplanes are shown on the enclosed map. In addition to these in ordinary years an aeroplane could land on the foreshore of Shui Lo Chou, an island in the Siang River directly opposite Changsha, between November 15th and March 15th when the Siang River generally is low.

Number of copies 3 4 Encs

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OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch

2033-353

APR

WAR DEPARTMENT

SUBJECT: CHANGSHA, HUNAN PROVINCE, CHINA.

From: M. A. COMBAT.

No. 2572. Date: January 10th, 1920., 19

Replying to No. R.E.C'D, M.I.B., O.C.S. APR 7 1920, 19

13 - LOCATION.

The following report dated January 1st, 1920, was received from a most reliable source in Changsha, Hunan province.

In connection with the Legation's Instruction of September 26, 1919, (C. NO. 4723), and its Instruction of December 15,1919, (C. NO. 4861), I have the honor to submit the following information about Changsha for the Military Attache:

1. A Chinese map of Changsha is enclosed there being no map in English obtainable. The places, however, about which the Military Attache particularly desires information all have been numbered and with the date written on the map there should be no difficulty in locating them. In addition it has seemed advisable to show on the map the location of the Consulate, of the Governor's yamen, and of the three principal American business houses.

In this connection I may add that the Y.M.C.A. some time ago planned to have published large panoramic maps of Changsha. It now is understood, however, that these plans have been abandoned because the project was found too expensive. Should these maps appear later, copies of them will be sent the Legation.

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3. (a) Buildings and compounds which might be used for quartering one hundred or more men are shown on the map by the large red circles. The figures written in these circles are the estimates of a local American missionary, who has been in Changsha many years and is thoroughly familiar with the city, as to the number of men who could be quartered in each place. These red circles in the main represent schools, temples, barracks and open compounds. The latter, where tents would be required, have astorisks in the red circle.

(b) No difficulty would be found in securing suitable camping sites for troops within five miles of Changsha. Much of the land on each bank of the Siang River is low-lying, but high ground also is to be found.

(c)

SUBJECT CHANGSHA, HUNAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2372. Date January 10th. 1920. 19

Replying to No. Date 1920 19

RECD, M.I.D., O.C.S. ABS

(c) Changsha has no public water works system and is without any artesian wells. The Siang River would necessarily be the chief source of supply for water. This water is considered safe after it has been boiled and filtered. There are numerous wells scattered throughout the city, but foreigners do not consider the water they supply as suitable for drinking purposes even after it has been boiled and filtered. Outside of the walled city, near the South gate, there is a very fine spring which is said to produce approximately 24,000 gallons of practically pure water every day. Its location is shown on the map.

(d) There is plenty of coal in Hunan Province, but difficulty might be experienced in securing large quantities suddenly at Changsha. The nearest mines are at Siangtan which is roughly thrity miles south of Changsha and from which coal must be brought by junk. Control of the Hankow-Changsha railway line and control of the railroad running from Changsha to Pingshiang, about ninety miles away, would open up the collieries at the latter place from which coal in any quantity could be secured.

Difficulty would certainly be encountered in securing any large amount of wood locally. There is little or no timber in the immdeiate vicinity of Changsha, and while wood is constantly being brought in for the Northern soldiers there are never any large stocks on hand. This wood comes from places south of Changsha, is imported by junk, and to secure a supply in time of need junks in condiderable numbers would be required and it would be necessary to penetrate the Province materially beyond Changsha.

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There are always large stocks of rice in Changsha and in all probability all of this cereal desired could be obtained without difficulty. Pork is the principal meat eaten by the natives and unless an abnormally

large/

Binding Margin.

SUBJECT CHANGSHA, HUNAN PROVINCE, CHINA.

R.S.C'D, M. I. B., D. C. S. APR 7 1920

From H. A. COMBAT.

No. 2372. Date January 10th, 1920., 19

Replying to No. Date, 19

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SUBJECT CHANGSHA, HUNAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2372. Date January 10th, 1920., 19

Replying to No. Date , 19

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SUBJECT CHANGSHA, HUNAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2372. Date January 10th, 1920., 19

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Green, Geogge H.	Standard Oil Company Installation
Wife	

Hamlin, P

SUBJECT CHANGSHA, HUNAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2372. Date January 10th, 1920., 19

Replying to No. Date, 19

Hamlin, Paul M.	Yale Mission
Harmon, H. S.	Standard Oil Company of N. Y.
Hasenpflug, Miss Marie T.	United Evangelical Mission
Keller, Frank A.	Bible Insititute of Los Angles
Wife	
Keller, Mrs. Martha G.	" " " " "
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Wife	
Leong, Ching	American Presbyterian Mission
Huhn, Otto B.	Seventh Day Adventist Mission
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Li, Chin Leong	Yale Mission
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Wife	
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Wife	
Prescptt, Francis G.	Andersen, Meyer & Company, Ltd.
Rice, John P.	Yale Mission
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Ritzman, Michael E.	United Evangelical Mission
Rounds, Harold J.	Y. M. C. A.
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SUBJECT CHANGSHA, HUNAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2372. Date January 10th, 1920., 19

Replying to No. Date , 19

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Binding Margin

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OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch
APR 7 2053-354
WAR DEPARTMENT

SUBJECT: [redacted], HONAN PROVINCE, CHINA.

5455

From: H. A. COMBAT.

No. 2374. Date: January 1st, 1920. 19

Replying to No. Date 19

REC'D, M. I. B., O. C. S. APR 7 1920

13 - LOCATION.

The following report was received from a most reliable source in Honam province, China.

1. Herewith rough sketch of city.
Telegraph Office, Post Office, and electric Light Plant have been indicated. No water works in Chengchow.
2. Inclose map of Honan Province.
3. Military Information.
(a) French Hotel and two native hotels indicated on map. The three buildings would house about 250 men.
(b) The golf links has been marked as a suitable camp site for troops and animals. The ground is level but slightly higher than the surrounding terrene. A small pond is located on one side of the links and on an adjacent side a very good well will be found. There is no cover for animals but a picket line could be easily be put up between neighboring trees.
There is another very suitable camp site about 3 miles south-east of the railroad station. This point is well drained and fresh water will be found for the animals.
(c) Wells, small creeks and ponds have been indicated on sketch.
(d) Coal and lumber yards have been indicated on sketch. Enough scrap wood could be secured at one time to run six army kitchens for one week. From eighty to two hundred tons of coal could be obtained on short notice. The greater part of the coal supply comes from Chiaotso, north of the Yellow River. Some coal is brought in from Kwanyintang, Mienchih, and Mihsien. Kwanyintang and Mienchih are located on the Lunghai Pienlom Railway. Mihsien is a small mountain town 100 li south west of Chengchow. Pack mules are used to bring the coal in from this point.
(e) Fresh beef and mutton, also potatoes, can be purchased locally in large quantities the year round. Onion, carrots, beans, cabbage, turnips, sweet potatoes, millet, and pen-nuts can all be had in season. Foreign canned goods can also be had in large quantities.
(f) The Standard Oil Company of New York and the Asiatic Petroleum Company both have storage tanks for kerosene, same have been indicated on sketch. Gasoline could be obtained on short notice from Hankow.
(g) None.
(h) There is about 5,100 yards of siding at Chengchow. There are about 75 box cars and six engines at Chengchow all the time. A map showing the railway sidings etc. is now being drawn up by one of the railroad engineers, and a copy will be sent to your office as soon as possible.

(1) /

Binding Margin

SUBJECT CHENGCHOW, HONAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2374. Date January 1st, 1920., 19

Replying to No. Date , 19

REC'D, M. I. B., O. C. S. APR 7 1920

(i) Have indicate-d local barracks on sketch, also drill fields.
No foreign garrision.

(j) The location of Electric Light Plant, Telegraph Stations, and Telephone Stations have been indicated on map.

(k) The location of Flour Mill, Egg Plant, and Cotton Mill has been shown on map.

(l) No improved roads in this section of the country. The writer considers it impossible for motor cars or light trucks to travel over the country roads. In the dry seasons, October, November, latter part of December, and March the roads are too sandy for motor travel. In the winter months, December, January and February the roads would be too muddy. During the summer months the dust, heat and rain would make it impossible for motor travel. The sand storms that take place in November, latter part of December, February, and in March make travel by cart and mule very unpleasant and sometimes impossible. During this period of the year the trains running from Kaifeng to Chengchow and from Chengchow to Kaifeng are often held up on account of the sand storms.

(m) Wagons, carts, mules, ponies, coolies can be had for transportation in Chengchow. In a few days notice 200 mules, only a few ponies, 500 wheel-barrows, 1,000 coolies, about 100 carts, only a few wagons, can be had.

(n) LIST OF AMERICANS RESIDING IN OR NEAR CHENGCHOW.

Dr. Lauden, - - - - Missionary, Chengchow.
Mr. Lawton, - - - - " "
Mr. Herring - - - - " "
Mr. Fielder - - - - " "
Mr. H. Vines, - - - British & American Tobacco Co., Chengchow.
Mr. E. Fox, " " " "
Mr. H. G. Denham, Standard Oil Company, Chengchow.
Mr. J. M. Avent, " " " "

(o)

The writer knows no Chinaman that could be trusted with information that would be considered important in the eyes of an enemy who would be willing to pay for the information, However, every Chinaman the writer has talked with seems to very favorable towards the American Government.

(p) The open ground north-east of the railroad station is considered the best point for aeroplane landing. At times, however, cotton is stored on part of this ground

and/

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SUBJECT CHENGCHOW, HONAN PROVINCE, CHINA.

From H. A. COMBAT.

No. 2374. Date January 1st, 1920., 19

Replying to No. Date , 19

and a landing would be very difficult or impossible. A second very good place has been indicated on the map, marked "Aeroplane #2." If the vegitation were found too heavy here the writer would recommend the golf links as a landing point. By a skilled pilot the bunkers could be avoided. There are other points around Chengchow which would attract a pilot's eye but the ground in such places will be found very sandy and would, therefore, be very dangerous for aeroplanes to land.

NOTE: The only map that has ever been made of Chengchow was made by a Japanese engineer who resides in Chengchow, and is connected with the Electric Light Plant. The writer has made several attempts to secure this map but has so far been unsuccessful. Prospects at the present time look rather bright too, and if the map is secured a copy will be made and forward to your office. A map showing the railroad sidings etc., will be sent in very shortly.

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1 Enc

OFFICE CHIEF OF STAFF
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APR 8 2033-353-

WAR DEPARTMENT

SUBJECT HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA.

From H. A. COMBAT.

No. 2373. Date January 10th, 1920. 1920, 19

Replying to No. Date , 19

RECD. M. I. B. O. C. S. ARMY

13 - LOCATION.

The following report dated December 30, 1919, was received from a most reliable source in Wuchang, Hupeh Province.

I beg to enclose a recent map issued by the Chinese maritime customs giving the location of telegraph offices, post offices, electric light plants, waterworks, etc., in the three cities of Hankow, Hangyang, and Wuchang.

Information of Military Value Concerning Hankow, Hanyang and Wuchang.

3 (a) There are numerous godowns and large buildings in the Wuhan cities which could be used for quartering troops in case of necessity. It is noted that the report made by the Standard Oil Company designates the various buildings owned by Americans which could be used for this purpose. By reference to the map some idea can be gained of the numercus godowns and public buildings in the Wuhan cities which could be used for quartering troops. There are some fifty old buildings which could be put to such uses. It is impossible to made an approximation as to the number of men who could be quartered in these buildings.

3 (b) The country surrounding Hankow is very flat and well adapted for camp sites. Parts of this section are not always suitable during certain seasons of the years; that is during the months of June, July, and August, when many of the fields are flooded by high water. At such a time the ground is marshy and unsuitable for camp sites. However, there is much available space in the vicinity of Hankow and Wuchang that could be used for this purpose. Back of Wuchang are some hills which would be possible for camp sites under the worst conditions of high water that might arise.-

3 (c) The best available supply of water is the Yangtze River. The city waterworks is located on the Han. This can be located by reference to the map. Owing to the conformation of the land wells can be sunk almost anywhere and water obtained at the depth of about fifteen feet. There are many wells in Wuchang; this city does

not

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SUBJECT HANKOW, WUCHANG & HANYANG, CHINA.

From H. A. COMBAT.

No. 2373. Date January 10th, 1920. 19

Replying to No. Date 19

R.C.D. M.I.G.O.C.S. APR 1 1920

not have a waterworks and depends for its water supply on wells and the river.

3 (d) The coal supply of these cities is obtained from four sources: the Pinghsiang Collieries at Anyuan (安源) in Kiangsi Province, the Kailan Mining Administration, Via Chinwangtao (秦皇島); Japanese coal, and Hanan coal. There are enormous stocks of coal on hand in the various consessions, at the Hanyang Iron and Steel Works, and in Wuchang. The Pinghsiang Collieries supply coal for the Hanyang Iron and Steel Works. Their production is said to amount to 3,000 tons of coal and 550 tons of coke per day. Five trains a day leave Pinghsiang loaded with these products. Very little of the Pinghsiang coal is sold on the open market as it is used by the steel plant. Something like 150,000 tons of coal a year are imported from the Honan mines. During high water season coal of the Kailan Mining Administration is imported via Chinwangtao into Hankow. A considerable stock of wood is available for the most part of the year. Located along the river to the west of Hanyang are the pole yards which form the main source of supply of Chinese wood. These poles are floated down the river from Kweichow and Hunan made up in rafts. These yards front the river for a distance of a mile. It is impossible to estimate the number of poles or amount of wood stored in these yards, but the quantity is very large.

3 (e) A large supply of food can always be obtained as Hankow is at the juncture of many waterways. Considerable amount are carried in stock in the numerous godowns. These stocks include beef, rice, potatoes, beans, and Chinese vegetables. In case of widespread disorders the incoming supplies immediately cease. The International Export Company, Hankow, a British concern, has a very large cold storage plant. The company handles annually immense quantities of frozen meat, game poultry, eggs, etc.. Other large egg-product factories are located in Hankow.

3 (f) The Standard Oil Company and the Asiatic Petroleum Company carry large supplies of kerosene oil ; the quantity on hand is said to be about five million gallons. It is doubtful if there is more than 10,000 gallons of gasolene on hand at any one time in Hnakow . Lubricating oils are available, this being carried in stock by the Standard Oil Company, the Asiatic Petroleum Company, and the Vacuum Oil Company. The first and last named are American. Some 5,000 barrels are said to be available.

3 (g) <u>There</u>

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SUBJECT HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA.

From H. A. COMBAT.

No. 2373. Date January 10th, 1920., 19

Replying to No. Date 19

U.S. ARMY

3 (g) There are two wireless stations in this locality; one is maintained at the Japanese Barracks near the Hankow Race Club and Recreation Grounds. This point is indicated on the map in red ink. The main tower of the Japanese station must to be 150 or 200 feet high. Its radius is not definitely known; but it is stated that messages are being sent ot Tokyo. The other station is located at Wuchang and is under Chinese control. This place is also indicated in red ink at the southwest part of the city. It is temporarily out of commission.

3 (h) This question has been answered fully in the Standard Oil Company's report. By reference to the map the railways, pontoons, and landing places can be located. The various depths of water are given on the enclosed map.

3 (i) The two main Chinese garrisons are located in Wuchang. They can be located by reference to the map. Small garrisons are maintained throughout the Wuhan cities. The main garrison is located within the walls of Wuchang at the southwest corner. The other garrison in Wuchang is on the bank of the Yangtze River almost directly opposite the British Consession. The Wuchang garrison should accommodate 10,000 men. On the Hankow side there are two garrisons; one near the railway station on the bank of the river, and the other in the native city. These points are indicated on the map. The Japanese garrison is located near the Hankow Race Club. There are undoubtedly 1,000 men located at this barracks.

3 (j) The locations of these plants are plainly indicated on the enclosed map, and are underlines with red ink.

3 (k) The arsenal, steel plant, and various industrial enterprises are all indicated on the map.

3 (l) All the roads are indicated on the enclosed map. In the Chinese city most of the roadways and streets are very narrow. The condition of the roads in the various concessions is very good. Most of them are macadam and are well built and maintained. There are no grades on any of these roads. As a rule they are about 20 yards wide. The streets running through the Chinese cities are, however, very narrow and badly maintained. During the rainy season they are muddy and impassable. There is one

large road

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SUBJECT HANKOW, WUCHANG & HAN YANG, HUPEH PROVINCE, CHINA.

From H. A. COMBAT.

No. 8373. Date January 10th, 1920., 19

Replying to No. Date, 19

large road running out to the Chinese Race Club which is about 2 miles in length and about 20 yards wide. This is a well constructed dirt road.

3 (m) Coolies and native junks are always available in normal times, but during periods of disorder junks are more or less difficult to obtain. Coolies can be had in almost unlimited number for purposes of transportstion. It is impossible to give figures indicating the approximate number of individuals who could be obtained upon a few days' notice.

3 (n) A list of American residing in the Wuhan cities with their addresses is annexed hereto.

3 (o) It is next to impossible to furnish a list of Chinese who are unquestionably known to be pro-American and to be reliable under any circumstances.

3 (p) The best landing place for aeroplanes in the Wuhan cities is on the golf field of the Hankow Revreation Club. This point is indicated by a red cross. The leveling of a few mounds in the race course itself would also make this a suitable landing place.

List of Americans Residing in the Wuhan Cities.

Names.	Address:
Arndt, Rev. E.L.	Russian Concession, Hankow,
" Mrs.	
" Miss Lydia C.	
" Walter F.	
" Agnes H.	
" Christian O. R.	
Alden, Miss H. G.	Ta Ts'ao Kai, Wuchang,
Anderson, Mrs. L. B.	French Concession, Hankow,
Avent, James M.	Standard Oil Company, Hankow,
Ash, C. E.	Yangtze Engineering Works, Hankow,
Betz. F. H.	International Bank, Hankow,
Ball, Wm. C. Jr.,	Standard Oil Company, Hankow,
" Mrs.	
Benzeman, C.	S.W.Litvinoff and Company, Hankow,
" Mrs.	
Blomberg. Carl,	Societe Maritime & Commerciale du Pacifique, Hankow,
" Mrs.	
Boone. Miss Anita A.	Ta Ts'ao Kai, Wuchang,

B uchanan,

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SUBJECT HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA

From H. A. COMBAT.

No. 2373. Date January 10, 1920. 19

Replying to No. Date 19

Buchanan, Miss E. M. — St. Hilda's School, Wuchang,
Byerly, Miss A. E. — Ta Ts'ao Kai, Wuchang,
Blackwell, I. N. — British Cigarette Comapny, Hankow,
Bills, Earle C. — Chinese Customs, Hankow,
Brown, R. J. — 7th Day Adventist Mission, Hankow,
Bliss, T. M.D. — St. Peter's Hospital, Wuchang,
" Mrs.

Carroll, C. J. — Hankow-Szechuan Railway, Hankow,
Carr, Edward, — Standard Oil Company, Hankow,
Clement, S. P. (now in U.S.) — British American Tobacco Company, Hankow,
Clark, Miss J. A. — American Church Mission, Hankow,
Collins, J. A. — China Import and Export Lumber Company, Hankow.

Cilson, R. B. — Y. M. C. A., Hankow, .
" Mrs.
Cook, G. H. — Atandard Oil Company, Kiukiang,
" Mrs.
Cotter, Rev. F.J.M. — American Church Mission, Wuchang,
" Mrs.
Crosby, Miss G. A. — Women's Hospital, Peh Seo Hang, Wuchang,
Couch, Miss C. A. — American Church Mission, Hankow,
Clover, P. P. — Standard Oil Company, Hankow,
" Mrs.
Chung, Mong Yin, — Pacific Trading Company, Hankow,
Cox, Miss Venetia, — American Church Mission, Hankow,
Camm, John, Jr., — Standard Oil Company, Hankow,

Davis, Rev. Wm. G. — Christian and Missionary Alliance, Wuchang,
" Mrs.
Diezon, Dacid, — Chinese Martime Customs, Hankow,
Doggett, F. W. — British Cigarette Company, Cheng-Chow,

Drake, Miss A. B. — St. Hilda's School, Wuchang,
Diamond, Max, — British American Tobacco Company, Hankow,

Devin, Mrs. Nelle — Devin and Company, Hankow,
Dolan, Walter L. — China and Java Export Company, Hankow,

Ekvall, Rev. E. M. — Christian and Missionary Alliance, Wuchang,
" Mrs.
Eppes, R. D. — British Cigarette Company, Hankow,

Farnham, C.M. — Singer Sewing Machine Company, Hankow,

Fairweather, Wm.R. — Standard Oil Company, Hankow,
" Mrs.

Frost, R.A.

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SUBJECT HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA.

From H. A. COMBAT.

No. 2373. Date January 10th, 1920., 19

Replying to No. Date, 19

Frost, R. A. Heath Mansions, Hankow,
" Mrs.
Frost Miss Gertrude B. 2 Heath Mansions, Hankow,
Foster, Geprge P. American Church Mission, Wuchang,
" Mrs.

Gebhardt. A. H. L. 8 Miland Terrace, Hankow,
" Mrs.
Gale. Esson McD. Salt Gabelle, Hankow,
" Mrs.
Garry, C. F. China Merchants Company, Hankow,
Gale , L. E. American Trading Company, Hankow,
" Mrs.
Gihring, Hugo, 8 Miland Terrace, Hankow,
Gilgan, Rev. Patrick, Roman Catholic Mission, Hankow,
Gilman, Rev. A. A. American Church Mission, Wuchang,
" Mrs.
Gilbert, A. W. Wuchang Higher Normal School,
" Mrs. Wuchang,
Glass, A. B. British American Tobacco Company,
Hankow,

Gracey, S. P. Heath Mansions, Hankow,
" Mrs.
Guttery, A. M. Y. M. C. A., Hankow,
" Mrs.
Goodwin, W. T. Robert Dollar Company, Hankow,
Gardiner, Miss H. American Church Mission, Wuchang,

Harvey, H. B. Wuchang Higher Normal School,
Wuchang,
Harvey, Marvin S. Y. M. C. A., Wuchang,
Hart, Deaconess Edith, American Church Mission, Hankow,
Harvey, Earle, R. Christian and Missionary Alliance,
" Mrs. Wuchang,
Hall, Orrin A. 7th Day Adventist Mission, Hnakow,
" Mrs.
Hall, E. L. Y. M. C. A., Hankow,
" Mrs.
Hairston, M. S. British American Tobacco Company,
Hankow,

Henkel, G. R. China and Java Export Company,
" Mrs. Hankow,
Hollander, T. J. American Church Mission, Hankow,
" Mrs.
Haywards Rev. W. F. American Church Mission, Wuchang,
Hampton, W. O. Standard Oil Company, Hankow,
" Mrs.
Howe, Rev. C. F. American Church Mission, Wuchang,
" Mrs.

Hawkins, H.B.

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SUBJECT Hankow, Wuchang & Hanyang, Hupeh Province, China.

From H. A. COMBAT.

No. 2373. *Date* January 10th, 1920., *19*

Replying to No. *Date*, 19

Hawkins, H. B.	Chinese Maritime Customs, Hankow,
Horner, C. B.	Robert Dollar Company, Hankow,
" Mrs.	
Jenkins, W. C.	British American Tobacco Company, Hankow,
James, Dr. Mary L.	American Church Mission, Wuchang,
Jordan, F. C.	British American Tobacco Company, Hankow,
" Mrs.	
Kabbert, P. R.	International Export Company, Hankow,
Kay, Miss Edith	American Consulate, Hnakow,
Landy, J. C.	International Export Company, Hankow,
Lee, John M.	95 Rue de Saigon, Hankow,
Lee, Mrs Joanna M.	95 Rue de Saigon, Hankow,
Lee, Lillian G.	95 " " " "
Lee, Thomas A.	95 " " " "
Littell, Rev. S. H.	American Church Mission, Hankow,
" Mrs.	
Lotung	35 Alexandrov Road, Russian Concession, Hankow,
Lathrop, E. E.	Anderson, Meyer and Company, Hankow,
Long, Wm. J.	British Cigarette Company, Hankow,
Marham, D. R.	British American Tobacco Company, Hankow,
Maslin, Rev. T. P.	American Church Mission, Hankow,
" Mrs.	
McGarvin, F. E.	Anderson, Meyer and Company, Hankow,
Meyer, Lawrence,	Milan Terrace, Hankow,
" Mrs.	
Miller, E.P. Jr.	American Church Mission, Wuchang,
" Mrs.	
Moffett, E. A.	Anderson, Meyer and Company, Hankow
" Mrs.	
Moore, Wm. O.	British Cigartette Company, Hankow,
" Mrs.	
Myers, F. R.	Chinese Post Office, Hankow,
Martin, L. E.	Anderson, Meyer and Company, Hankow,
McLean, R. B.	Terminus Hotel, Hankow,
Nelson, R. S.	International Export Company, Hankow,
Nichols, H. G.	American Church Mission, Wuchang,
" Mrs.	
Niles, H. B.	Anderson, Meyer and Company, Hankow,

Nelson, George D.

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SUBJECT HANKOW, WUCHANG, & HAN YANG, HUPEH PROVINCE, CHINA.

From H. A. COMBAT.

No. 2373. Date January 10th, 1920., 19

Replying to No. Date , 19

Nelson, George D.	Chinese Martime Customs, Hankow,
Neergaard, C. de	International Bank, Hankow,
" Mrs.	
Ofano, Marcello	British Cigartette Company, Hankow,
Pellard, Miss B. A.	Ta Tsao Kai, Wuchang,
Perry, L. C. Jr.	Standard Oil Company, Hankow,
Passano, L. C.	Hankow,
Petree, C. E.	British Cigarette Company, Hankow,
Peoples, L. J. Jr.	British Cigartette Company, Hankow,
Ramsay George T.	Fearon, Danial and Company, Hankow,
Reid, Raymond M.	Standard Oil Company, Hankow,
Ridgely, Rev. L. B.	American Church Mission, Hankow,
Roots, Rt. Rev. L. H.	American Church Mission, Hankow,
Riedel, E. H. A.	23 Rue Nouvelle, Hankow,
Ridgely, Mrs. L. B.	American Church Mission, Hankow,
Roots, Mrs. L. H.	American Church Mission, Hankow,
Raeburn, Miss J. G.	Grace China Company, Hankow,
Ross, J. H.	Standard Oil Company, Hankow,
" Mrs.	
Scott, Deaconess K. E.	St. Hilda's School, Wuchang,
Shedd, Chas, G.	Y. M. C. A., Hankow,
" Mrs.	
Sharman, A. M.	American Church Mission, Wuchang,
" Mrs.	
Sibson, Miss Mabel,	St. Peter's Hospital, Wuchang,
Smith, D. L.	Standard Oil Company, Hankow,
" Mrs.	
Smith, Dr. E. R.	1 Lockerbie Road, Hankow,
" Mrs.	
Smith, B. J.	Anderson, Meyer and Company, Hankow,
Stevens, W. D. B.	Standard Oil Company, Hankow,
Sweeney, R. V.	Standard Oil Company, Hankow,
Swenson, W. H.	Asia Banking Corporation, Hankow,
" Mrs.	
Strickland, W. E.	7th Day Adventist Mission, Hankow,
" Mrs.	
Souder, Rev. E. L.	Ta Ts'ao Kai, Wuchang,
" Mrs.	
Souder, Thacher,	American Church Mission, Hankow,
Stotler, Edwin J.	Anderson, Meyer and Company,
" Mrs.	Hankow,
Tomlin, Miss O. B.	St. Hilda's School, Wuchang,

Vongehr, O.E.

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SUBJECT HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE,

CHINA.

From H. A. COMBAT.

No. 2373. Date January 10th, 1920., 19

Replying to No. Date, 19

Vongehr, O. E.	Anderson, Meyer and Company,
" Mrs.	Hankow,
Vines, F. H.	British American Tobacco Company,
" Mrs.	Chengtow,
" Mrs. Laura	
Wagner, H. M.	Y. M. C. A., Hankow,
Wright, J. B.	British Cigarette Company, Hankow,
Williams, Wm. J.	" " " "
Wilson, John A., Jr.	American Church Mission, Wuchang,
Wilson, Thomas M.	American Consulate, Hankow,
Walter, Alfred,	Standard Oil Company, Hankow,
Weusthoff, R.	Asia Banking Corporation, Hankow,
Wakefield, Dr. A. P.	American Church Mission, Wuchang,
" Mrs.	
White, J. C.	7th Day Adventist Mission, Hankow,
Wassell, Dr. C. McA.	St. Pter's Hospital, Wuchang,
" Mrs.	
Wood, Miss Mary E.	American Church Mission, Wuchang,
Young Tung,	Pacific Trading Company, Hankow,
" Mrs.	

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Mil. Int. Branch

APR 8 1920

2055-356

WAR DEPARTMENT

SUBJECT HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA.

From M. A.

No. 2371. Date January 10th, 1920. 19

Replying to No. Date W.D. M.I.B. O.C.S. APR 7 1920, 19

13 - LOCATION.

The following report was received from a most reliable source in Hankow, Hupeh province, China.

#3 A. - The following is a list of American Concerns owning buildings and godowns which could be used for quartering troops:-

Standard Oil Company. Lower Installation, - 5 miles below Hankow on Yangtze River north bank. 7 godowns which would accommodate about 2,000 men in each. Upper Installation:- just below Japanese Concession two godowns capacity 1,000 men each.

Anderson Meyer & Co. Concrete godown 3 stories about 1 mile from the American Consulate across the Kin Han Railway to the south of the Hankow Race Club grounds. Capacity about 1,000 men.

China, Java Export Co. Godown situated in rear of French Concession on the Rue de Paris extension. This godown will accommodate approximately 2,000 men. There are other sheds here which at present are being used for storage of hides but could very easily be utilized for stabling purposes.

Gillespie & Company. Located in the French Concession about 4 blocks distant from the American Consulate. There are two godowns belonging to this concern at this point which will accommodate approximately 2,000 men in each.

Boone University - Wuchang - This point is opposite Hankow on the Wuchaang shore of the River. There are three large school buildings with a capacity of about 2,000 men. This university has a large compound enclosed by walls.

The Chinese American Co. Russian Concession. Two blocks distant from the American Consulate. There is here a small godown with a capacity for about 100 men.

#3B. - Good camping ground can be found on both sides of the Yangtze River, in the vicinity of Hankow, The country surrounding Hankow is very flat and well adapted for camp sites, during any but the high water months of June, July and August. At this period of the year the ground

is/

PAGE 2.

SUBJECT HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA

From H. A. COMBAT.

No. 2371. Date January 10th, 1920.; 19

Replying to No. Date , 19

M.I.B., O.C.S. APR 7 1920

more or less marshy and therefore unsuitable for camp sites. On the Wuchang shore there are a little distance back from the river, several knolls, which would only be available for quartering a small number of troops.

#3 C. - The best available supply for water is the Yangtze. River. The river water is perfectly good but must be settled on account of salt. The Hankow Water Works pumping station is located on the Han River near Chiaokow. Wells can be sunk most any where on the plains back of Hankow and water obtained at a depth of approximately 15 feet, through see page.

#3 E. - Under normal conditions beef, rice, potatoes, beans, and wheat are obtainable in large quantities.

(a) reasonable amounts are carried in store houses.

(b) constant stream of the above mentioned food supplies daily arrive at Hankow from the producing areas in the surrounding country.

In case of local trouble these incoming supplies cease immediately. During troublesome times supplies must be ob-tained from outlying sections through foraging parties.

#3 F. - Supplies of Kerosens oil are carried on hand at Hankow by the Standard Oil Company and the Asiatic Petroleum. The quantity is ample for all purposes there being always on hand at lease five million gallons. Gasoline supplies are not carried in large quantities at this port. The main-source of supply being Shanghai. As a mean average approximately 10,000 gallons of gasoline is carried on hand at Hankow. Lubricating oils are carried here in large stocks by Standard Oil, Asiatic Petroleum and Vacuum Oil Companies, there being on hand at least 5,000 barrels of various brands.

#3 G. - Wireless equipments. There are two wireless stations at Hankow the larger being the Japanese army wireless which is located at their barracks next to the Hankow Race Club. The radius of this station is not definitely known but reports have it that they are in easy communication with Tokio. The second wireless stations is a small one owned by the Chinese and is located at Wuchang City. This station is temporarily out of commission. Its radius is unknown.

#3 H. - There are two Railroads at Hankow. The Peking Hankow Railway has its terminus at Hankow and there are sidings here sufficiently large to accommodate 3,000 cars. The number of rolling stock available is unknown. The Hankow-Canton is directly across from Hankow on the Wuchang shore.

This/

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SUBJECT HANKOW, WUSHANG & HANYANG, HUPEH PROVINCE, CHINA.

From H. A. COMBAT.

No. 2371. Date January 10th, 1920., 19

Replying to No. Date , 19

RC'D, M. I. B., O. C. S. APR 7. 1920

This road is at present in operation as far as Changsha. Number of rolling stock unknown.

Hankow is noted as a sea port. There are fifteen large hulks and pontoons that will be available for naval purposes. These vary in size from 250 to 4,000 tons. They are at present in all except one instance owned by concerns of other nationality than American. Five miles below Hankow there are three pontoons available at the Standard Channel to Hankow during the winter months that is November 15th to March 15th is 10 feet. From March 15th to November 15th Ocean going vessels of most any draught can easily make Hankow. Launch parties can land at any time of the year. There is a good landing at any point along the Hankow or Wuchang shore.

#3 I. - The local Chinese Garrision is situated in various points around Hankow. These small garrisions are supplied from the main center garrison in Wuchang City near the Provincial Assembly Building.

The Japanese Garrison located on the North side of the Hankow Race Club grounds.

#3 K. - No changes since 1917.

#3 L. - There are no roads improved or otherwise running out of Hankow with the one exception of the road to the Chinese Race Course which is not more than two miles in length.

#3 M. - Coolies and native junks are available in normal times in large quantities but upon the first sign of trouble both of these mediums of transportation immediately disappear. It is well to note that in time of trouble if the Chinese are with you, you will be able to get ample means of transportation; if they are not with you nothing can be obtained. Figures showing the average of approximate number obtainable on a few days notice cannot be computed.

#3 N. - A complete list of the Americans residing in or near the city can be obtained from the American Consulate, Hankow.

#3 O. - There are no Chinese that we could unqualifiedly state were to be relied upon in case of war with another foreign nation. The Chinese are most particular when picking one side or the other to try and get on the "top side."

#3 P./

SUBJECT HANKOW, WUCHANG & HANYang, HUPEH PROVINCE, CHINA

From H. A. COMBAT.

No. 2371. Date January 10th, 1920., 19

Replying to No. Date , 19

#3 P. - The country surrounding Hankow is of such an open level nature that an aeroplane landing could be made at most any point. Particular spots that could be pointed out would be the lower Standard Oil Co. Installation, and the Hankow Race Club Grounds.

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OFFICE CHIEF OF STAFF
Executive Division
Mil. Int. Branch.
APR 8 2055-356 1920

WAR DEPARTMENT

HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA.

H. A.

2371. January 10th, 1920.

13 - LOCATION.

The following report was received from a most reliable source in Hankow, Hupeh province, China.

#3 A. - The following is a list of American Concerns owning buildings and godowns which could be used for quartering troops:-

Standard Oil Company. Lower Installation, - 5 miles below Hankow on Yangtze River north bank. 7 godowns which would accommodate about 2,000 men in each. Upper Installation:- just below Japanese Concession two godowns capacity 1,000 men each.

Anderson Meyer & Co. Concrete godown 3 stories about 1 mile from the American Consulate across the Kin Han Railway to the south of the Hankow Race Club grounds. Capacity about 1,000 men.

China, Java Export Co. Godown situated in rear of French Concession on the Rue de Paris extension. This godown will accommodate approximately 2,000 men. There are other sheds here which at present are being used for storage of hides but could very easily be utilized for stabling purposes.

Gillespie & Company. Located in the French Concession about 4 blocks distant from the American Consulate. There are two godowns belonging to this concern at this point which will accommodate approximately 2,000 men in each.

Boone University - Wuchang - This point is opposite Hankow on the Wuchaang shore of the River. There are three large school buildings with a capacity of about 2,000 men. This university has a large compound enclosed by walls.

The Chinese American Co. Russian Concession. Two blocks distant from the American Consulate. There is here a small godown with a capacity for about 100 men.

#3B. - Good camping ground can be found on both sides of the Yangtze River, in the vicinity of Hankow, The country surrounding Hankow is very flat and well adapted for camp sites, during any but the high water months of June, July and August. At this period of the year the ground

is/

HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA

H. A. COMBAT.

2371. January 10th, 1920.

more or less marshy and therefore unsuitable for camp sites. On the Wuchang shore there are a little distance back from the river, several knolls, which would only be available for quartering a small number of troops.

#3 C. - The best available supply for water is the Yangtze. River. The river water is perfectly good but must be settled on account of salt. The Hankow Water Works pumping station is located on the Han River near Chiaokow. Wells can be sunk most any where on the plains back of Hankow and water obtained at a depth of approximately 15 feet, through see page.

#3 E. - Under normal conditions beef, rice, potatoes, beans, and wheat are obtainable in large quantities.
(a) reasonable amounts are carried in store houses.
(b) constant stream of the above mentioned food supplies daily arrive at Hankow from the producing areas in the surrounding country.
In case of local trouble these incoming supplies cease immediately. During troublesome times supplies must be ob tained from outlying sections thro ugh foraging parties.

#3 F. - Supplies of Kerosens oil are carried on hand at Hankow by the Standard Oil Company and the Asiatic Petroleum. The quantity is ample for all purposes there being always on hand at lease five million gallons. Gasoline supplies are not carried in large quantities at this port. The main source of supply being Shanghai. As a mean average approximately 10,000 gallons of gasoline is carried on hand at Hankow. Lubricating oils are carried here in large stocks by Standard Oil, Asiatic Petroleum and Vacuum Oil Companies, there being on hand at least 5,000 barrels of various brands.

#3 G. - Wireless equipments. There are two wireless stations at Hankow the larger being the Japanese army wireless which is located at their barracks next to the Hankow Race Club. The radius of this station is not definitely known but reports have it that they are in easy communication with Tokio. The second wireless stations is a small one owned by the Chinese and is located at Wuchang City. This station is temporarily out of commission. Its radius is unknown.

#3 H. - There are two Railroads at Hankow. The Peking Hankow Railway has its terminus at Hankow and there are sidings here sufficiently large to accommodate 3,000 cars. The number of rolling stock available is unknown. The Hankow-Canton is directly across from Hankow on the Wuchang shore.

This/

HANKOW, WUCHANG & HANYANG, HUPEH PROVINCE, CHINA.

H. A. COMBAT.

2371. January 10th, 1920.

This road is at present in operation as far as Changsha. Number of rolling stock unknown.

Hankow is noted as a sea port. There are fifteen large hulks and pontoons that will be available for naval purposes. These vary in size from 250 to 4,000 tons. They are at present in all except one instance owned by concerns of other nationality than American. Five miles below Hankow there are three pontoons available at the Standard Channel to Hankow during the winter months that is November 15th to March 15th is 10 feet. From March 15th to November 15th Ocean going vessels of most any draught can easily make Hankow. Launch parties can land at any time of the year. There is a good landing at any point along the Hankow or Wuchang shore.

#3 I. - The local Chinese Garrision is situated in various points around Hankow. These small garrisions are supplied from the main center garrison in Wuchang City near the Provincial Assembly Building.

The Japanese Garrison located on the North side of the Hankow Race Club grounds.

#3 K. - No changes since 1917.

#3 L. - There are no roads improved or otherwise running out of Hankow with the one exception of the road to the Chinese Race Course which is not more than two miles in length.

#3 M. - Coolies and native junks areaavailable in normal times in large quantities but upon the first sign of trouble both of these mediums of transportation immediately disappear. It is well to note that in time of trouble if the Chinese are with you, you will be able to get ample means of transportation; if they are not with you nothing can be obtained. Figures showing the average of approximate number obtainable on a few days notice cannot be computed.

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1 Enc

OFFICE CHIEF OF STAFF
MIL. INTEL. DIV.

3-1 1920 2055-367

WAR DEPARTMENT

SUBJECT CONDITIONS ALONG THE CHINESE EASTERN RAILROAD.

From H.A.

No. ~~2568~~ 2568 Date MAY 31, 1920., 19

Replying to No. Date , 19

REC'D M.I.D., G.S. JUL 2 1920

The following are observations of Major W.C.Philoon, Asst. Military Attache at Peking during a trip along the Chinese Eastern R.R. May 12-25, 1920.

In general conditions along the railroad are quiet. Chinese, Russians and Americans with whom I talked all said that there had been a marked change in the attitude of the Japanese. At present they are taking a conciliatory attitude, avoiding friction with the Chinese and Russians and trying to be friendly. The best reason given for this change of policy was that the Japanese were trying to alter the bitter feeling of resentment against them that all people along the railroad have.

Chinese.

The Chinese are guarding the Chinese Eastern railroad. They have a sufficient number of troops scattered along the line to do this and seem to be keenly alive to the fact that unless they do the job properly the Japanese will step in and insist on doing the job for them or with them which would amount to the same thing. I talked with many Chinese officers through an American interpreter. All were outspoken in their bitterness against the Japanese. They were all except the senior officers also bitter against the Peking government. Some of them stated that the common people and the soldiers in Manchuria would gladly die in a war against Japan but such a thing was impossible so long as the present government remained in power in Peking. There were many who believed that the Japanese were stirring up the Chinese robber bands which had done some dammage about 150 miles east of Harbin. The Chinese commissioner for Foreign Affairs for this province furnished me the names of three notorious bandit leaders, TANTZUMING, HUSHOWSHAN and LIUCHINSHAN, who had been brought op by the Japanese authorities from Tsingtao to Harbin with others to work among the bandits. I made a personal inspection of the section where the bandits were said to be operating and saw little evidence of dammage they had done. The Chinese are making strenuous efforts to drive out the robbers, two brigades of troops having been assign ed to this duty. A large part of these troops were many miles back ni the hills hunting down the outlaws with some success. Distribution of the Chinese troops along the railroad is shown on the attached diagram.

Russians.

The Russians continue to operate the railroad. Many of the old Russian railroad police are now employed by the Chinese for the same work which they formerly did under the Russians. In every way the Russians seemed to be working harmoniously with the Chinese. The Chinese all believed that Semeonoff was entirely dependent on the Japanese for his existence. He was purchasing beef, horses etc. at Manchuria Station nad paying for them with Japanese money. His soldiers were permitted to

Binding Margin.

enter Manchuria and take their weapons in with them.Some of his supplies are stored in Manchuria Station.There is no danger that these men will ever cause trouble in an organized way as they ## the worst looking lot as a class that I have ever seen and would be incapable of aggressive action.The Russian railroad authorities are very friendly to the Americans and were glad to do anything possible to show conditions in their true light.

Japanese.

In brief I should sar that at the present time the Japanese are in a position of readiness to act along the line that may seem most expedient when the proper time comes.After getting all possible information from all sources I believe that they have about 14,000 troops west of Manchuria Station, about 5,000 troops along the Chinese Eastern R.R and perhaps 50,000 troops in Vladivostok and Ussuri province.I made little effort to obtain figures on the troops in the Vladivostok area as I did not get over into that section. I have already stated that the Japanese are trying to make themselves agreeable along the railroad.At only one place,Pu K'o T'U did I see them much in evidence and here it no doubt was a matter of accident,about a dozen officers being grouped in front of the center of the station and obstructing all who desired to pass. In the telegraph office of this station the Japanese operators had appropriated a good section of the space and were working ## their own lines.The y have two wires running through to Chita which can be used for both Telegraph and Telephone.They also control the wireless plants at Harbin and Manchuria Station. Japanese flags are in evidence in all towns where they have troops stationed.At one station the Japanese flag was flying over the station itself but the Chinese flag was over the center of the same station.

Many Chinese officials spoke of Japanese coming in in civilian clothes.1030 in civilian clothes of an age suitable for military service passed through Changchun in the month of March. Approximately the same number went through in April.Practically all were bound for Manchuria Station or west of that point. On May 19th4,000 Japanese troops went west from Manchuria Station The Japanese authorities asked for cars to move 7,000 troops in May from Changchun,the southern terminus of the Chinese Eastern R.R.to Manchuria Station.4,000 were moved.The Japanese canceled their request for trains for the others.Only very rarely does a Japanese soldier in Manchuria #### wear a ### number on his collar to indicate his organization so that it is not easy to ascertain what his organization is.Every train over the Chinese Eastern railroad has a small box car attached which contains about eight or ten Japanese soldiers.These soldiers do nothing in the way of guard or police.Their cars are of the side door type so that they cannot get out when the trains are moving.

Railway Zone.

One trip through the zone of the railway is sufficient to show its tremendous possibilities in the way of future economic development.With the thousands and thousands of tons of grain and beans stored under straw matting along the tracks the fertility of the soil speaks for itself.The Chinese Eastern locomotives burn wood.This is sufficient to prove the vast quantities of forest lands that lie within easy reach.The mountains are known to contain many kinds of minerals.

The Japanese have the southern outlet of this railroad and country under their control by controling the South Manchurian railroad which connects with the Chinese Eastern at Changchun.By securing the port of Vladivostok for themselves they can seal up Manchuria as effectively as if they actually owned the Chinese Eastern itself.Huge quantities of grain and other war necessities can be held piled up along the tracks awaiting transportation at the will of the Japanese.This will serve exactly as well as if these same stores are piled up in storehouses in Japan while under this system the Japanese are not obliged to invest money in these supplies.At the same time the Japanese are in a position to rush in troops rapidly in order to take over Lb

the railway,or for any other purpose.They are in a similar position with regard to Siberia.They can afford to gracefully withdraw from all the rest of Siberia provided they can obtain a strangle hold on Vladivostok.Not only would this give them Manchuria but it would permit them to effectually crush the efforts of the thousands of patriotic Koreans in Manchuria who have been driven from Korea and are now trying to help their countrymen in Korea in their attempt to obtain independence.

With the resources of Manchuria stored up just across the channel from Japan and available for her at her will Japan's big problem is largely solved.Vladivostok and Fusan and Dairen are the shortest lines to Japan.The first and second are the most difficult for a hostile country to reach,in case of war ### with Japan.I believe that the peace of the world will be in great danger if Japan is permitted to get the port of Vladivostok or the Chinese Eastern Railway.

Passports.

Persons entering Siberia from Manchuria Station are required to have a permit signed by Semeonoff's agent in Manchuria Station.

A Japanese official at Changchun asked me for a passport on my return from Harbin.I gave him my card and that was sufficient.I was in uniform at the time and had I really thought that my card would be sufficient I should have waited longer before presenting it.

Copies to Milstaff.
Commanding General,Philippines.
Naval Attache,Peking.
Military Attache,Tokyo.

JUL 8
1920
20353-367
OFFICE CHIEF OF STAFF
MIL. INTEL. D'V.
WAR DEPARTMENT

Siberia
Manchuria Station
Hailar
Pu K'o Tu
Tsitsihar
Harbin
To Vladivostok
Hailar
Changchun - 400 Japanese troops of 18th Inf.
Kirin - Saito - Jap. adviser to Gov Kirin Prov.
Kung Chu-ling
gen. Bito
Mukden
Korea
Shanhai Kwan
Det of 38th Jap. Inf.
Bandit infested region
Kirin Mixed Brig.
Fengtien M. Brig.
Hsing Tao Hetze
200 Japanese
I Niang Po
300 Japs of 53rd Regt.
14th Mixed Brig.
Central Govt. troops.
Japanese troops here but organizations etc. not known.
200 men
200 men

Rough Sketch
not drawn to Scale
Showing distribution
Chinese and Japanese
Troops
along parts of
Chinese Eastern R.R.
May 22, 1920.

OFFICE CHIEF OF STAFF
M.I.D.

3-1 1920 2055-37 00

WAR DEPARTMENT.

SUBJECT: AUTOMOBILE ROAD

Tientsin to Paotingfu (About 120 Miles)

From H.A.

No. 2611 Date August 4, 1920. 19

Replying to No. Date 19

Map: China - Peking Section, Headquarters, Phillipines Division, Office of the Chief of Staff, M.I.D., Manila, P. I. - January 1911.

GENERAL DESCRIPTION.

1. Importance. - This road connects Tientsin on the Peking-Mukden Railway Line and the terminus of the Tientsin-Pukow Line with Paotingfu - Provincial Capitol of Chihli Province, on the Peking-Hankow Line. It permits rapid communication between Tientsin and Paotingfu without it be necessary to pass through Peking. The road was built by the Tuchun of Chihli Province, Tsao Kun, for military purposes. No doubt he foresaw the events of the past month (July) when his troops were fighting on the Peking-Hankow, Peking-Mukden and Tientsin-Pukow Railway Lines, simultaneously, his rail connection between Paotingfu and his troops North and South of Tientsin being cut by the Anfu troops around Peking.

2. Terrain and its effect on character of road. - - The country between Tientsin and Paotingfu is low and flat. There are no hills encountered along the road which runs South of the lakes and marshes shown on the maps which extend almost without interruption on a straight line between Tientsin and Paotingfu. There are practically no rocks or gravel along the road. During the annual wet season in this country it is probable that in many years the road will be under water for some days or even weeks at a time. During the rainy weather the road is bound to be slippery and very difficult for automobile travel, there being no gravel or stone under the surface of the road.

3. Strategic points and military obstacles. — The principal strategic points are Tsing Hai where the road crosses the Grand Canal, the Walled City being on the east bank, and Jonnkiu at a junction of the automobile road with one of the main travelled cart roads running South from Peking. Along the road as a whole, the principal obstacles from a military point of view are:

(1) - The Grand Canal at Tsing Hai where the road crosses the Canal. The banks under normal conditions are probably 20 to 25 feet above the water. The banks are steep and the bridge of planks laid on pontoons is narrow and unsafe for heavy trucks. The attached photograph is not of the Grand Canal crossing but the Canal Crossing is, however, of a similar type.

Binding Margin.

(2) The crossing of the Tsze Ya Ho at Tung Tsze Ya, photograph of which is attached. At present the banks at this crossing are very steep, and even a Ford car has difficulty in making the ascent on low gear. It is much safer to wait and obtain the assistance of the many coolies about the place, in pushing the car up the bank.

(3) Undoubtedly many years during the rainy season, miles of this road would be under water owing to the low flat area over which it runs.

4. Kind of traffic to which route is adapted. — The road was built for automobile traffic. The route follows throughout practically its entire length an old, much travelled cart road. While carts are not permitted on the road itself, they may follow along its course along the sides of the road. At the present time the roads are not suitable for heavy automobiles and trucks.

5. Water, food, forage and fuel. — The country traversed is agricultural and grows the usual Chinese crops. Villages and wells along the road are not infrequent. Of course all water must be boiled before using. Fuel is very scanty.

6. Billets, camp sites, etc. — It would not be desirable to billet troops in Chinese villages along the route. In case of military necessity, troops could be camped for the night along the road in the vicinity of villages of of the numerous wells in the fields used for irregation purposes.

7. Comparison with other routes between the same points. — There is no other automobile road between Tientsin and Paotingfu. During periods of high water in the lakes and rivers, the trip could be made partly by launch and partly by small Chinese junk in about 48 hours. The trip can be made during ordinary times by train via Peking, in about 8 hours, provided not more than one hour is lost in making train connections at Peking. With the road dry, an automobile can easily make the trip in 7 hours. An American in a Ford car has already made it in five and one half hours.

8. Telegraph and telephone. — There is a direct telegraph and telephone line between Tientsin and Paotingfu. This line parallels the road from Paotingfu east to Ta Tschong. Evidently from that point the line continues on to the Tientsin-Pukow railroad at Tang Kwan-tun or thereabouts and then continues north to Tientsin along the railroad line.

9. Sources of information. — Information contained herein is given by Major Philcon, Assistant Military Attache, who made the trip on July 10, 1920. A detailed description will be submitted later after a detailed study of the same by a detachment of the 15th U. S. Infantry.

10. General Direction of the road. — From Tientsin the road runs Southwest to [illegible]ing-hai where it crosses the Grand Canal and continues in a southwesterly direction crossing the Tsze Ya Ho at Tung Tsze Ya - continuing still to the Southwest to Ta Tschong. From Ta Tschong the road runs almost due west thru Kung Tsun Tun, Yen Kia Pu, Lu Kung Pu, Tsu Tien, Jennkiu, to Kau Yang. From Kau Yang the road runs Northwest to Paotingfu through Kwan Tschw and Pei Schi Kisu. Owing to the nature of the journey of Major Philoon, it was impossible for him to delay enroute to obtain detailed information.

Copies to:

3 - M.I.D.
1 - I.O. Tientsin
1 - I.O. Manila
1 - Naval Attache
1 - American Legation

REC'D M.I.D.,G.S. SEP 30 1920

Number of copies 3

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2035-38
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WAR DEPARTMENT

CONDITIONS IN OUTER-MONGOLIA

M.A.

October 27, 1920.

REC'D M.I.D., U.S. DEC 8 1920

The following report is made by Major Philcox on his return from a trip to Urga. He spent about one week in Kalgan, one week in Urga and five days enroute each way between the above named cities. The trip was made by automobile and a special report will be made upon the road transportation possibilities, etc.

Urga is the capital of Outer-Mongolia, the seat of the Mongolian Government, the headquarters of the Chinese Commissioner of Mongolian affairs and also the residence of the head of Mongolian Lamaism (the Living Buddha). Urga has a population of about 27,000, about 10,000 of these are Chinese most of them are males, about 10,000 lamas, about 1,000 "Black Men" (Mongolian men who are not lamas), about 4,000 Mongol women and about 2,000 foreigners practically all of them are Russians.

There are no other towns of any size in Mongolia, the business, religion and Government all center in this one city. With the renunciation by the Mongols of their autonomy in November 1919, the Chinese authority became supreme in Outer-Mongolia. Since that time frequent reports of harsh treatment of the Mongols by the Chinese in authority have reached Peking. With the issuing of the Manifesto by the President of China announcing that Consuls and other diplomatic representatives of the old Russian Government would no longer be recognized, many reports of harsh treatment of the Russians in Urga have also been heard. Complaints have been made by foreign business firms doing business in Urga that the Chinese authorities there have from time to time interferred with their business in one way or another. I am convinced from all the stories I have heard during my trip that the above mentioned reports are in general correct.

TREATMENT OF MONGOLS

While I was in Urga there were eight Mongolian leaders, princes and dukes in confinement in the Chinese Yamen. No reason had been given by the Chinese officers for the arrest of these Mongols. It was reported on the streets of Urga that these Mongols were beaten by their keepers each night; that they were told that they had written a letter to the American Minister in Peking, asking that a Consul be sent to Urga and also that they be given help in their time of trouble; that they must tell their keepers just what the contents of these letters was. I was informed through an interpreter, by Mr. Sung Pao [ ] the Chinese official in charge of Mongolian affairs during the absence of the Commissioner, Chen Yi, that these men had been confined by direction of Chen Yi, no charges having been made against them; that they were to be held in confinement until the arrival of Chen Yi.

I was/

I was informed by a foreigner who is extremely intimate with the Mongols and who has very frequently accompanied officials leading Mongols that the Mongols had been informed by the Chinese that the American Minister had told the Chinese Government that the friendship between America and China was such that the Chinese would not be interfered with in their actions in Mongolia. The same foreigner informed me that great numbers of Mongols were leaving Urga to live in the country because of the treatment they received at the hands of the Chinese. I talked through an interpreter with the Chief Assistant and business agent of the Living Buddha and also with an intelligent Mongol Prince, both of whom were in hiding to escape arrest by the Chinese authorities. They informed me that the Mongols did not care particularly for their autonomy but they did desire decent treatment; that they had done nothing to justify the arrest and punishment of their leaders; that they simply desired to be let alone to practice their religion, raise their flocks and herds, sell their wool, etc.; that they had no objection to Chinese settling on Mongolian soil, for there was room enough for all. They stated that the Mongols were very anxious to sell their wool, hides, etc. to Americans and desired an American Consul in Urga in order that the trade relations between the Mongolian and American firms would not be disturbed. They believed also that America was a humane country and with an American Consul in Urga, much of the inhuman treatment now being given the Mongols by the Chinese would be prevented.

I saw nothing and heard nothing which would lead me to believe that the Mongols were intriguing in any way whatever with either the Japanese or Russians. In my opinion the Mongols are incapable at the present time of offering any organized armed resistance to the Chinese. They have no inclination to do so and even if so inclined they have not the necessary arms, ammunition, etc. Mongolian hunters and others who have occasion to use fire arms are still using the old flint-lock, muzzle loaders, and other very ancient weapons.

Lobsan Jansan, the head Mongol employed by Andersen, Meyer & Co., an American firm is one of the Mongol princes confined by the Chinese. This man evidently holds an important place in the community as all foreigners in Urga seemed to know him and be greatly interested in his condition, etc. A letter from Andersen, Meyer & Co. to the Urga Yamen asking for the cause of this arrest remained unanswered upon my departure a week after its transmittal.

TREATMENT OF RUSSIANS.

The undisciplined Chinese soldiers in Urga and also the inefficient Chinese civil authority in Urga, are apparently taking great delight in showing their authority over Russians. I was told of instances of Russian peasants being shot without trial, also where Russian Jews who had formerly held rather important places in the Russian community in Urga had been arrested and held without trial for a considerable length of time, during which time they were required to wear an iron collar around their neck and were led about by a chain thereto. The Russian chauffeur of our car upon our arrival in Urga would undoubtedly have been beaten by the Chinese soldiers without any cause whatsoever had there been no other foreigners present. A great many Russians are refused passports while others are forced to leave Urga.

The head Russian in the employ of Andersen, Meyer & Co. in Urga, asked his chief during his visit there to procure for him some sort of a permit from the Chinese Yamen in order that he would not be arrested every few days while walking back and forth between his house and the office. This Russian has lived in Mongolia 20 years or more most of which time was spent in Urga.

A Bogged/

A rough, disreputable band of about 300 Sunnaff soldiers arrived in Urga about the first of October, they voluntarily gave up their arms and are being held in confinement by the Chinese. These men were a disreputable looking lot, incapable of making any military effort against the Chinese.

[redacted]

Although I possessed a diplomatic passport properly visaed by the Foreign Office in Peking, a permit to enter Urga issued by the Ministry of War in Peking, and presented my card which showed my position as Assistant Military Attache of the American Legation, these things failed to give me courteous treatment on all occasions by the Military and Civil authorities in Urga. All foreigners are invariably delayed several days in obtaining passports and automobile permits prior to their departure from Urga. The person in charge of every automobile leaving Urga must purchase for $50.00 a permit authorizing the automobile to depart from and return to Urga. Even tho the automobile will not return to Urga, the return trip permit must be purchased. This return trip permit is not recognized in Kalgan nor Urga.

Foreigners are very frequently detained on the streets of Urga by the Chinese soldiers and required to go to the Chinese Yamen to prove their identity. Automobiles being driven on the streets of Urga are very frequently stopped by the soldiers and obliged to go to the Yamen. Many instances have occured where foreigners who were on the streets of Urga at night were arrested by the Chinese soldiers, forced to give up their money and then taken to the Yamen for examination. Two Swedish Missionary ladies in Urga report that they are frequently stopped and interferred with while riding on horse-back about the streets of Urga, also that their homes were entered and thoroughly searched by the Chinese military officials for arms and ammunition.

TRADE CONDITIONS.

A great deal of business is done in Urga by American firms. Anderson, Meyer & Company, the Mongolian Trading Company together with several wool, skin and fur companies of America have branches and foreign representatives in Urga. The China-American Trading Company has a branch run by a Chinese compradore. The Mongols state that they are anxious to give their business to Americans. Under present conditions the many difficulties imposed by the Chinese officials upon the foreign firms makes the conduct of their business very difficult and some of their agents informed me that unless conditions improved they would probably close their branches. They do not feel justified in risking the lives of their foreign employees as well as the monetary loss, in case of more serious trouble with the Chinese authorities and soldiers in Urga.

CHINESE OFFICIALS.

The Chinese Amban to Urga, Mr. Chen Yi, has not yet left Peking. He is represented in Urga by his Secretary, Mr. Sung Pao. In my judgment, Mr. Sung is incapable of handling the difficult situation there. The job is too big for him. One visit to his Yamen shows the ordinary observer that he has little authority over his underlings; and that the general feeling in the Yamen is to hinder foreigners as much as possible.

The Chinese soldiers/

The Chinese soldiers about Urga are very insolent and often intoxicated. They seem to be convinced that every foreigner in Urga is a Russian and they go to extremes in showing their ill will towards them. During my stay [illegible] an automobile belonging to Asiarcon, Boyer & Co. was held up by a Chinese guard. A soldier from the guard went with the chauffeur in the auto to the home of Mr. Larson, the Manager of Asiarcon, Boyer & Co. and insisted that Mr. Larson present with him to the Yamen! I went along with Mr. Larson first and the soldier, the soldier was very insolent and again in a very loud hostile tone, thereupon Mr. Larson told him in Chinese "Don't talk to me in that manner, I am not a Russian" thereupon the soldier became more civil.

Very few Chinese officers are seen in the city and apparently none of the outposts where automobiles are examined are commanded by officers. The result is that permits and passports issued from Peking are not understood or recognized by the soldiers. The impression that one gets in Urga is that the soldiers are under practically no restraint, that they are undisciplined and have no respect for or fear of authority over them. They are in arrears in pay and it is possible that they might be a general mutiny on their part in which case all lives would be endangered, to say nothing of the valuables and property of the Lamas and foreigners.

Judging from the information I received, there must be about 500 soldiers in Urga and 5,000 on Siberian soil in the vicinity of Kiakhta about 250 miles north of Urga. There are also small detachments in Tsetsin and Ulu along the road between Kalgan and Urga.

BOLSHEVISM.

While there are undoubtedly bolsheviks in Urga, the treatment of the Russians by the Chinese is such that these people do not dare make their "red" tendencies public.

REFUSAL OF PASSPORTS BY THE PEKING GOVERNMENT.

Upon my return to Peking I was informed that the Chinese Government had announced that due to the disturbed conditions in Outer-Mongolia, no passports would be issued until further notice. I strongly believe that the only danger of trouble in Urga at the present rests with the inefficient administration in Urga together with the undisciplined, irresponsible Chinese soldiers. I do not believe the Mongols are capable of, or have any desire to stir up serious trouble. The same can be said for the Russians. It is very likely that additional bands of stragglers from Semenoff's or other forces in Siberia may eventually reach Urga, but these bands will not be capable or desirous of organized fighting, they will simply be fleeing from further fighting, and looking for food. The officials in Urga are so conducting themselves that they are fully capable of grossly misrepresenting conditions there to the Central Government in Peking.

JAPANESE

There is a representative of the Japanese Military Attache in Urga as well as a few others of that nationality. Undoubtedly they are keeping in close touch with the situation there but I do not believe the Mongols or Russians have any desire to negotiate with them against the Chinese. I believe the administration in Urga would be more likely to do so. It is conceivable however, that the Mongols and Russians will be driven by the treatment they are receiving eventually to seek assistance from the Japanese.

WIRELESS

4. [redacted]

The British Amoxoi Company has recently completed a new Wireless station about 4 miles east of Urga. This station is one of the three to be erected by them, the other two will be at Uemchi and Kalgan. The station has not yet been taken over by the Chinese Government. Messages are received from several thousand miles radius but the sending apparatus is not working properly. Messages have been sent to Peking, however.

5. [redacted]

The need of a representative of some foreign government is urgent in Urga. At present there is no foreign consul there and consequently there is no recourse for foreigners. Code messages or other messages not passed by the Government Censor are not sent over the telegraph lines. Those sent are subject to great delay. It is possible that a foreign resident Consul might be the means of saving many lives, to say nothing of improving the general living conditions of foreigners who are obliged to remain in Urga. From my observation, Americans are doing by far the most business of any nationals except Russians in Outer-Mongolia. Also I believe after spending a week in Kalgan and another week in Urga that the need for a Consul in Kalgan is practically nil compared to the need of one in Urga.

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WAR DEPARTMENT

SUBJECT REPORT ON A RELIEF PARTY TO URGA, NOV. 8 - 22, 1920.
PREPARED BY MAJOR JOHN MAGRUDER, F.A.,
ASSISTANT MILITARY ATTACHE, AMERICAN LEGATION, PEKING, CHINA.

--Service Report--

From U.A. 2055

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REPORT ON A RELIEF PARTY TO URGA, NOV. 8 - 22, 1920.
PREPARED BY MAJOR JOHN HALDEMAN, U.S.A.,
ASSISTANT MILITARY ATTACHE, AMERICAN LEGATION, PEKING, CHINA.

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A. INCIDENTS OF THE TRIP

The party of armed Americans organized for the purpose of insuring the safety of two American subjects in Urga and for providing them a means of escape from a dangerous situation, arrived at Kalgan at 4:00 p.m. November 8, 1920. The composition of this party has been previously described in detail. It consisted of twelve Americans including myself and two British subjects, one of the latter being Major Dockery, a wireless engineer employed by the Ministry of Communications. He was ordered to Urga to repair injuries to the wireless plant occasioned by the recent disturbances, and was accompanied by Captain McKenzie, an aviator in the employ of the Handley-Page Company, and several Chinese wireless operators. Major Dockery joined our party which afforded the best and safest transportation to Urga. In reality I believe his motives for going were his friendship for Mr. Mills, his sympathy for the principles involved in the expedition, and his belief that he could assist the party by keeping it in communication with Peking.

The party was organized unofficially by certain friends of Mr. Mills, but the Minister, having in mind the recent murder of the Missionary, Mr. Reinert, which resulted from the failure of the local Chinese Commander to afford protection against his out-of-hand soldiery, gave his sanction to the undertaking, appointed me to accompany the party, and insisted that the Central Government give the necessary permits for and protection to the party. The correspondence between the Legation and the Chinese officials is elsewhere given in detail. Suffice it to say, after painful negotiations extending over several days, the time set for the departure of the party from Peking arrived without formal permits for travel and the carrying of arms having been granted by the obstructionist, delaying and evasive officials. Nor had a refusal of permission been announced. Accordingly the Minister suggested that the party proceed, believing that definite permission would be wired us at Kalgan.

Upon our arrival there, the party was hospitably cared for in the compound of the Mongolian Trading Co. by Mr. Charles Coltman and family. Mr. Coltman was a member of the party and his firm undertook the responsibility for the transportation and general accomodations of the party to and from Urga.

This it/

this is accomplished in a successful and satisfactory manner. The transporting of such a party in six cars over 600 miles of difficult country in a severe climate, housing and subsisting them while in Urga, and returning with an increased party in nine cars, is no small accomplishment. This was done without a serious accident to the cars, with little delay and with no serious inconvenience to the party. The members of the party freely exhibited in all the labor and difficulties of the trip under Mr. Coltman's direction.

Preparations were made during the afternoon and evening of Nov. 8th for our departure at midnight or as soon thereafter as the cars and outposts could be prepared. During this time several minor officials from the Police Department and Foreign Office visited us with requests for our papers, cards, and lists of names. These were all politely furnished, and information freely given as to just what papers we did and did not have. We frankly stated that we were going out about midnight and assumed that they would receive, if they had not already received, instructions from Peking granting us permission to proceed. At about eight-thirty P.M., accompanied by Mr. Coltman as interpreter, I visited the Yamen of Mr. Wang, Foreign Office representative in Kalgan. He assured us that he had received no word from Peking concerning us; that because of the martial law existing in Urga, he had no authority to grant permission for our departure without specific instructions from Peking; further that, even if he were authorized to give us permission to go, he had no jurisdiction over the police and soldiers and that they would undoubtedly stop us if we attempted to go without papers. His definite statement to the contrary, I have every reason to believe that he had received instructions of some kind from Peking, and it was clear that he was using the same obstructionist, delaying methods encountered in the Peking Bureaus. He suggested that we wait in Kalgan until instructions were received. Since he admitted being powerless to give us permission to proceed, I could not concede that he was to be considered in position to forbid that permission, whereupon I inquired concerning General Chang, the Military Commander in Kalgan, who I knew controlled the soldiers and likewise, as always in China, controlled the situation. He was absent in Peking, and there was not time for cigarettes and tea and compliments with his subordinates who in the end would proudly disclaim any authority whatsoever.

Returning to the Party, we had a meeting which was gratifyingly same and it was practically unanimously decided that we should proceed with our plans and go out of Kalgan unless we were stopped by a display of actual force. In which case, without creating a complication, we should return and notify the Minister of the developments. We were not, however, to be deterred by a mere perfunctory objection of stupid soldiers or police.

At ten minutes past midnight (Nov. 8 - 9) the following message was delivered to me from the Minister, "Nothing changed since morning. Carry our plans unless permission definitely refused by Kalgan military authorities". Fortunately the instructions did not necessitate any change in our plans. The message in clear had been received in Kalgan at 7:20 P.M. and I was convinced had been read at the Yamen before our visit there. I was at the same time hopeful the Yamen would reason we had given up the venture and not make dispositions to oppose our going quietly out, and fearful they would at any moment deliver a definite refusal of permission.

However, the Officials reasoned, no refusal came and we left the Mongolia Trading Company's Compound at about one o'clock A.M. (Nov. 9th) with our six cars and proceeded up the usual route toward the Pass. During the passage thru the town we were interfered with only once.

At the police station/

At the police station, where usually there is a large guard, no one was visible and we were not challenged. At a point beyond the police station a lone policeman held up his hand and called "Those cars are they?" I was sitting in the leading car with Mr. Colman and I told him not to stop. We paid no attention to the man and he offered no further objections to our passing. One car with a careless driver got separated from us while in the town and had to be pursued by the last car then several streets before they rejoined the leading cars. We waited outside the town for the delayed cars to join us, fearing they had been stopped, but they were not challenged. From the city itself to the Pass, a distance of about 14 miles, there are numerous barracks and sentry posts. On this night we did not see any sentinels. Whether this was due to instructions that we were not to be seen or whether to the normal inefficiency of the troops on duty, it is not known.

From the Pass all the way to the out-skirts of Urga the trip was made without incident, so far as interference on the part of the Military is concerned. We were never once required to show papers nor questioned for being there. There are various reasons for believing that our coming was announced, and I am convinced that instructions were given that we were not to be interfered with.

The following schedule shows our itinerary and nightly stopping places:

Nov. 1, Left Kalgan at about 10:00 A.M.
Nov. 9, Arrived at Halo Hoso (Swedish Missionary Station)
Nov. 10, " " Err Liang
Nov. 11, " " Saicao (Sweet Water)
Nov. 12, " " Gurben Telegey (Three Heads or peaks)
Nov. 13, " " Urga at about 5:00 P.M.

On Nov. 9th at a point about 35 miles from Kalgan, Mr. Hanson, of Anderson, Meyer & Co., was encountered returning from Urga. He was bearing numerous communications from Mr. Mills to the Legation and to others in Peking, giving lurid and sensational accounts of conditions in Urga. Mr. Hanson himself was greatly excited, and his manner caused me to accept his statements with reservations.

No interference was encountered during our entrance into Urga. It was evident that we were expected. At Lehi Hantsching, a small settlement about five miles from Urga on the "East" road, we observed that three telegraph poles had been cut down and the line broken. The village was deserted. As we continued we encountered a squadron of Chinese Cavalry (about 200 men) coming up the valley in open formation, with point, support, reserves and main body. These were the first troops seen since leaving Gurben Telegey (90 miles from Urga). They were plainly excited, if not fearful of the duty ahead of them. We were halted by the first two echelons and their relief was evident when they found we were not Russians. We told them what we had just seen and they informed us that there had been a fight a few hours before where we had seen the wires cut.

Just before reaching the river to the east of the town we crossed a firing trench, manned by Infantry and machine guns which covered the valley down which we had just proceeded. The officer in command stopped us and greeted us but required no papers. We passed the group of barracks, then Maimai-Cheu and reached the house of the Mongolian Trading Company, where we were quartered, without incident.

The Mongolor./

The Mongolian, office of the Mongolian Mining Company and the largest building in Urga, is in an open space a few hundred yards away from our quarters. It was here that we found Mr. Mills and Mr. McLaughlin, the only American subjects in Urga. They were both well, but plainly showed the signs of nervous and physical strain. Mr. Mills had previously leased the Mongolian. He had erected the American flag over the building and had taken in with him about forty Russians. There were officials of the Mongolian Mining Co., co-member officials, and certain Russians whose homes had been occupied by Chinese soldiers and who were, according to Mr. Mills, homeless. These Russians looked upon us as a relief expedition for all unfortunate and their enthusiasm had to be dampened by a later explanation of our real mission.

During the outward and return trip and during our stay in Urga, the party was organized along military lines for security. Formations and methods of procedure in certain cases were prearranged, a running guard was always kept up, and the members of the party voluntarily subordinated themselves to the leader. This organization prevented much confusion, and forestalled those quitable and dangerous situations which arise in dealing with Chinese military when everybody speaks at once.

While in Urga, the representatives of the American, Meyer & Co. and the Mongolian Trading Company were engaged in preparing inventories and otherwise looking after the interests of their respective companies; the cars were prepared for the return trip; and assistance was given Major Bedbury in putting the wireless station in operation - the complete, new plant having been rendered useless by the neglect of the officials in permitting all the tanks and pipes to freeze. Because of the request of General Chu Chi Hsiang, Commander of troops in Urga, the party circulated no more than was necessary. General Chu suggested that our safety in Urga was contingent upon our avoiding contact as far as practicable with certain of his soldiery over which he admitted having little control.

I promptly paid official calls on General Chu Chi Hsiang and General Chen Yi the High Commissioner for Mongolia. The latter had arrived in Urga only a few days before and was frankly unhappy at being there. These officials were cordial, were extravagant in their assurance of friendship for Americans, and expressed all willingness to assist us in our mission, which was explained to them. It was evident that our presence was not desired in Urga, and the officials placed no obstacles in the way of our departure. I discreetly expressed what I know to be the view of all Americans regarding the reported mistreatment of Russians and of the interest foreigners had in seeing the present unsettled condition cleared up. I later called on these same officials with specific requests to visit prisons, to arrange details of our departure, etc.

Observations made of the conditions in Urga and certain aspects of the expedition will be covered in Part B of the report. The telegrams sent and received by me during the whole trip will be found in Part C.

Before down on the/

Nov. 17th,

Before dawn on the morning of our departure, a patrol of ten Chinese soldiers entered the compound and some confusion was started by one member of the party who had worked on the cars all night and was hasty and irritable. He turned the soldiers out of the compound in no mild terms and disarmed the leader in the process. Our party was called to the alert, whereupon the Chinese hastily withdrew, crying "Dont fire". A little later they returned with a non-commissioned officer and the situation was ended by calm explanations of the soldiers and ourselves. I believe the soldiers were only carrying out their orders and were harmlessly patrolling, but the difference between a Chinese patrol and a looting party in Urga is not finely drawn.

Aside from this incident, our return to Kalgan was accomplished without interference. Three Mongolian Trading Company's cars were added, making nine cars in all, and certain passengers with proper permission to leave Urga accompanied our party purely as commercial passengers. No American subjects were left in Urga.

The following is the complete list of those in our convoy:

Americans:

Major Magruder - Assistant Military Attache
Major Dugan - Marine Officer
Sergeant Tiskin - Marine
Private King - Marine
Mr. Bucknell - Student Interpreter
Mr. Mills
" Manning
" McLoughlin
" Coltman
" Captil
" Paxton
" Miller
" Walker
" Clements

British:

Major Dockery - Employed by Ministry of Communications
Capt. McKenzie - Handley-Page Co.

Russian:

Baron Pittingkoff
Baroness "
Miss Ira "
Master G. "
" B. "
Mr. M. Lushnikoff
Mr. Bourtoulin
Mr. Walter
Mrs. Walter
Master Walter
Mr. Isaheroff

Czecho Slovaks:

Mr. Kunhardt
Mrs. "
Miss "

Japanese/

Agencies:

Captain Rose

Chinese:

2 Chinese drivers
2 " boys
1 " mechanic

The return itinerary was as follows:

Nov. 17th - Left Urga at about 8:30 A.M.
" 17th - Spent the night at Durben Tologoy
" 18th - " " " " Selenga
" 19th - " " " " Bay Liang
" 20th - Arrived at Chao Pao-Shan at 7:30 P.M. and left shortly after midnight.
" 21st - Arrived at Kalgan at 2:00 P.M.
" 22nd - " " Peking at 4:00 P.M.

B. SOME IMPRESSIONS MADE IN URGA FROM NOVEMBER 13th TO NOV. 17th, 1920.

Recent developments in Urga.
An observer who was in Urga during the period Nov 13 - 17, 1920, makes the following comment on his observations made during that period.

1. POLITICAL SITUATION

No one feels clear as regards the political and military situation in Urga. Only conjectures are expressed by those who might be expected to know the situation. Urga is in a semi-state of seige and suffering under a Chinese application of martial law. Many evils are being committed in the name of martial law. The reasons given for the recent attack and the present threatening attitude of the attackers. The rumors are numerous as the complexions of the alleged attackers. These are generally thought to be Mongols, Russians, Buriats, Chinese, Japanese and Koreans, and the numbers of each present are probably in the order named, with relatively few of the last three.

The Chinese yoke rests heavily on the Mongols. The desire for autonomy, if not independence, is strong among them. Bogdo Khan, the Living Buddha, the religious leader of the Mongols, is, due to the reverence in which he is held, the political leader as well. He has previously intrigued against Chinese authority, and it seems certain that he has secretly negotiated with [redacted] for assistance in driving the Chinese out of Mongolia. [redacted] Russian Bolsheviki were conspiring. However this may be, on September 24, 1920, an attack was made by bands from the north [redacted] by Mongols and anti-Red Chinese, Japanese and perhaps Koreans. The Chinese officials at Urga had an intimation of the negotiations and were informed of the pending attack a few days before the attack. before it was delivered

About this time/

(Censored on outgoing mail)

About this time, Bogdo Han was confined in the Lamas at Urga, and numerous Mongol lamas were imprisoned. The Russian population of Urga, without regard of extra-territoriality and consular representation, became suspected of intriguing with the attackers, and were subjected to search and arrest, were disarmed and treated as alien enemies. Incident to the disarming occurred looting, pillaging, and general mistreatment of all Russians in Urga. All these were considered Russian until the contrary was proven. The Mongols became resentful of the confinement of the living Buddha, and risings, particularly in the west, were reported.

After about eight days of unscientific and unintensive operations both in the attack and defense about the north and northeastern outskirts of the town, the attacking bands withdrew. At the date of my visit to Urga, the military situation was quiet. The Chinese were expecting another attack, and it was reported that three main groups of the enemy were covering the approaches to Urga from the northeast, north, and west while they recruited and gathered strength.

The most logical estimate of the immediate situation seems to point to a Mongolian Independence Movement, with the Living Buddha paying for outside assistance, to which movement is added the activity of all the discontented elements in that unsettled area. General Chen Yi, [redacted] whose movement of Japanese origin and backing, working via Simonoff, Baron Ungern, and the Living Buddha. I have been unable to find any facts which lead me to believe that Japan is involved, except possibly indirectly thru Chinese political malcontents and enemies to the present regime.

Baron Ungern-Sternberg, Russian general, at the head of the Bolshevik anti-Bolshevik movement in the interest of Japan. While I do not believe that Bolshevik political theories are taking hold among the Chinese, it does appear that the Kourin Mission in Peking is not unsuccessful in effecting the beginnings of a rapprochement with the Central Government, and that the Bolshevik propaganda is concurrently active among Chinese radicals, political malcontents, and enemies of the present regime. There are many Chinese in Mongolia, and although not Bolsheviks, they are likely playing with and being animated by the Ventre-Ustinsk Reds. This condition may possibly be a reason for the reactionary Ungern to interest himself in Urga, aside from the influence Bogdo Han's guilds [redacted]. It is pertinent that the Bolsheviks recently published in the press a "feeler" suggesting the possible necessity of sending a Red column from Kiakhta to "assist the Chinese garrison" at Urga in driving off the outlaws and to rid the Siberian borders of reactionary enemies. Information received in Peking leads me to believe that this action is seriously contemplated.

The situation at Urga is not believed to be merely a Mongolian independence uprising for a local campaign between Chinese soldiery and outlaw bands, but it seems indicative of larger influences still obscure. These influences I sense to be the new Chinese movement for complete sovereignty, and the spread of Soviet Russia's political influence in these areas.

2. [redacted] MILITARY SITUATION

On October 22, 1920, the garrison at Urga received information that a force of about 2000 men, composed as previously described, believed to be commanded by Baron Ungern, was thirty miles northeast of Urga. The first fighting occurred early on Oct. 26th, near Ichi Mouti-ching, about five miles east of Urga.

No details/

Seventy-five

No details of the fight are available, as all foreigners were confined to their homes at the time. On this date, the Chinese garrison consisted of only about 800 troops plus about 1000 hastily conscripted men. The Chinese claim to have captured two field guns and killed 60 of the enemy by machine-gun fire. [illegible] shrapnel were fired into the city during certain periods of the fighting. The enemy is reported to have had five guns.

I saw one captured field gun. It was 1908-model Russian gun, caliber 76 m.m., with open-sight indirect firing device. The shrapnel were manufactured in the United States in 1916. From the effect of the fire observed and from description of the shrapnel bursts, it would appear that the guns were fairly skillfully handled. About 250 rounds were fired into the town during the whole period of attack.

There was no fighting from the 27th to 30th, inclusive. From Oct. 30th to Nov. 4, inclusive, there was desultory fighting along a thinly occupied front of about 15 miles running from southeast to northwest in front of the town. At no time is there known to have been any severe fighting. One is inclined to doubt if the attacking force seriously intended taking Urga. On Nov. 4th the attackers withdrew, perhaps voluntarily, and there have been no active operations since, except for an occasional raid for the purpose of cutting the telegraph wire between Urga and Kalgan.

The Chinese gradually reinforced the defensive troops by withdrawing those troops which had previously occupied Kiahta. At the time of our visit (Nov. 13 - 17th), they had an estimated force of 3500 regular troops plus some 1500 conscripted men with guns. Various units of reinforcements are moving toward Urga, but the numbers and composition cannot be ascertained. Fengtien troops, mainly cavalry, to the number of about 1000 were seen between Kalgan and Urga. They were proceeding with difficulty, using camels, horses, and automobiles.

The Chinese Command does not have an organized Intelligence Service. Reports from various sources indicate there are now three groups threatening Urga, each consisting roughly of 2000 men. One force is at Shin Kuren about 60 miles northeast of Urga, consisting mainly of Mongols and Russians: one at Terilje about 40 miles north of Urga, consisting mainly of Russians, Buriats, and Mongolians: and one under the the Mongol Prince, Tsetsen No Teishi, about 100 miles west of Urga. The latter force is the result of a religious uprising among the western Mongols threatening to rescue the Living Buddha and the leader's father, both of whom are prisoners in Urga.

5. CONDITIONS AFFECTING FOREIGNERS.

Except for Russians, and aside from our party, there were only two Americans, two Danes, one British subject, fifteen Japanese, one Swiss subject and several Czecho-Slovaks known to be in Urga. To the ignorant soldiers all white men were Russians, but it is true that different treatment was accorded when they knew that the foreigners were not Russians. Except for those exasperating situations which arise when one is being crudely handled by undisciplined and brutal Chinese sentinels, easily and quickly leading to dangerous situations, our subjects would not be in danger in Urga when the military situation is quiet. But Chinese soldiers when excited by fighting or by other causes are always a menace, and this is particularly true of the troops in Urga which have a surly contempt for foreigners, have been without pay for five or six months and are notably undisciplined.

General Chm/

General Chu assured me that he could protect Americans provided they remained quietly in their homes, flew the American flag and preferably remained at home. He further admitted that he could not give assurances for the conduct of some of his men. In brief, Americans were not safe if they followed their normal pursuits. From personal experience I know that if one innocently passing along public thoroughfares, particularly at night, is unfailingly often roughly challenged and investigated by ignorant and brutal sentinels. He will hardly be able to restrain his temper enough to be safe. The ordinary of the soldiers is no more galling than the application of their crude and unreasonable conception of military security. The only idea of the soldier in Urga is the instant use of force. He frequently lowers his rifle and cocks it when challenging what is so evidently an innocent passer-by. The Chinese soldier, when free to show his contempt for the white man, is equal to the Japanese in brutality, and this without the saving Japanese discipline and organization. From my observations in Urga, any ideas I had about the injustice of extra-territoriality are entirely abandoned.

The plight of the Russians in Urga is deplorable. Aside from their loss of the right of extra-territoriality and consular representation, they are looked upon much in the light of alien enemies and, justly or unjustly, are suspected of intriguing with the enemy. The Russian population in Urga is from 1500 to 2000. The Chinese admitted having about 300 Russians in prison generally as suspects without any definite charges against them. A large percentage of these confined are said to be men of some means - men who can pay for release. I believe it is true, without having the definite facts, that most of the Russians confined could buy their liberty if they could offer a "proper" sum. A great number of Mongols are imprisoned. It is not known how many prisons there are in Urga but certainly there are three or more.

I applied at 2:00 P.M. one day to General Chu's Chief of Staff for permission to visit a prison. After numerous delays and on various pretexts I had finally to apply to General Chen Yi for the permission. It was given, but the officer designated to accompany a few of our party managed to delay us still more. It was, in fact, after six o'clock and dark before we were taken to the best prison in Urga. I am confident that notice was given the prison officials shortly after two o'clock and that the setting was prepared. But, in spite of the preparations, the conditions were bad enough.

Some twenty-five men, mostly Mongols, were standing outside the building in line when we arrived. The difficulties of interpreting was pled to obviate a clear explanation of why they were standing there. I think we arrived a little too soon. The official accompanying us had just stated "You will see some of the men have irons on", when we discovered to his discomfiture that three Russians in the back row had leg irons. Some hot words were passed to the prison official in Chinese. I think all of these men had been manacled and had been brought outside to be unmanacled to prevent their rattling chains in the cells. We went in one building containing five cells on each side of a corridor. The corridor was filthy; there was no heat although the temperature at that time was about zero outside, the necessity for heat being obviated by hermetically sealing the cells. The cells were not cold, but the odor was as might be expected when it was found that twenty-one Russians were in each of the three cells opened for us. The cells were approximately 9'x12' in floor space. The men were sitting, standing and reclining - all could not possibly lie down at once. The condition of these prisoners was, with the kindliest treatment, almost unbearable, and from the appearance of the guards, I suspect that in their humane instincts are totally lacking.

I was able to talk/

I was able to talk informally with only one prisoner. He said he had been there five days with no idea of the charges against him; that food was furnished him out of poor quality; and that they were well enough clothed. His statement was not conflicting, but I do not think that he was a truthful man for speaking of pigs.

In the temporary prisons, food for the prisoners is largely furnished by friends or relatives. On the pretext of carrying food, I previously had seen the interior of one of the temporary prisons. It was simply the stable of a Chinese home. In one stall, the door opening outside, about the same size as the cells described above, I saw twenty Russians and three Russians, the latter completely well-fed men. These prisoners were carefully allowed to retain their sheep skin coats, for this cold was not certain. I cannot see how they prevent freezing their extremities during the cold nights, for there were absolutely neither beds nor covers. The Russians, full of sorts being taken from prisoners, but this is to be debated, as with many of the horrors stories of which the Russian population is so full.

The stories of looting and robbing may be over-drawn, as well as the killings. I heard some incidents frequently repeated with slightly different variations, which, if one accepted hearsay, would give the impression of an exaggerated number of cases. The only case of looting I actually saw was in the offices of the Central Square (Russian Cooperative Firm). Here the safe was forced open, the forcing of another attempted, and numerous trunks and boxes lifted. The dwelling of the Manager below was not disturbed. I am reliably informed that families were turned out of their homes and these occupied by soldiers. Also reliable information was given me of numerous robberies of money, jewelry, furs, etc. from the houses during the search for arms. Rings were taken from the fingers of the wearers, both men and women. I observed soldiers wearing fur mufflers which had undoubtedly been taken from women. Except for being threatened at the point of a bayonet and perhaps jostled about, no cases were mentioned of women being otherwise maltreated. Three women were imprisoned and later released without charges, but they had suffered only the usual hardships of temporary prison accomodations, especially from the severe cold.

There are numerous rumors of the killing and disappearance of Russians but these are, I believe, largely untrue. Life is always cheap in Urga, and to dispose of all identifications it is only necessary to throw the body outside and the dogs quickly dispose of it. There were three bodies visible in various stages of consumption by dogs in the open spot nearest in the centre of the town, but these were probably only beggars who died there. We saw four other bodies of men, almost entirely consumed, some of whom were Russians, lying between the Wireless Station and Maimai-chen. These may or may not have been enemy soldiers.

d. ATTITUDE OF MESSRS. MILLS AND MCLAUGHLIN

Mr. Mills and Mr. McLaughlin were not in any sense captives in Urga. The greatest physical obstacles in their way to leaving were a difficult journey across Gobi, in severe cold, with limited transportational facilities. There was a period during which all available automobiles were requisitioned by the Chinese Military Authorities but, even at that time, I doubt if the authorities would have refused transportation to these men had they insisted on the point.

Mr. McLaughlin/

Mr. McLaughlin never expressed a desire to leave Urga. He is an employee of the Mongolian Trading Company. Even after our arrival he did not appear desirous of leaving, and it was the decision of his employer, Mr. Goldman, rather than his own which caused him to return with our party.

Mr. Mills had been in Mongolia since September. He was engaged in obtaining gold concessions from the Mongolian Mining Company, a Russian Company represented by Baron Pittinghoff. The transfer was complete except for the signing of certain papers which had to be witnessed by a consular agent. There were no consular agents in Urga. Also there was a further complication in the fact that Baron Pittinghoff was very ill. The necessary medical attention was not obtainable in Urga and without this he could not hope to live. Mr. Mills had given his personal pledge to the Pittinghoff family that he would get Baron Pittinghoff to Peking. He felt likewise pledged to his business associates to consummate the concession transfer. Since the Chinese officials desired to prevent the transfer of the mining concession, every pretext was used to refuse or delay permission for Baron Pittinghoff to leave Urga. It thus developed that Mr. Mills departure from Urga was made contingent upon Baron Pittinghoff's departure, which in turn was blocked by all the obstructionist methods of Chinese officialdom.

Seeing that Mr. Mills was determined to remain with Baron Pittinghoff, I frankly represented to General Chen Yi that I had no interest in Baron Pittinghoff nor in the business of the concession, but that my instructions were to bring all Americans from Urga. In order to assure the departure of Mr. Mills and for humanitarian reasons, the Baron being greatly in need of medical attention, I requested that the necessary permits be expedited. General Chen Yi stated that the permits would be issued. Baron Pittinghoff and his family, accordingly, were brought to Peking in company with our party.

2. AMERICAN INTERESTS IN MONGOLIA. (Economic)

Urga is unique in that Americans are doing the mass of trading in that area. The Andersen, Meyer & Co. and the Mongolian Trading Co. are doing practically all of the trading business in Mongolia from the Chinese side. Wool, hide, and fur buyers are there from all the larger countries, but the mass of these exports go to America. It might be said that here alone in Asia are Americans "on the ground floor". The resources of Mongolia are merely touched. With political conditions settled and with development of natural resources, the gains to American trade and the mutual benefits to China should be tremendous.

Mongols strongly welcome progress and development. They assist rather than obstruct foreign enterprise, and they are particularly friendly to Americans. The Chinese appreciate the importance of Mongolia and some [illegible] show a tendency to guard the resources for themselves. The Chinese can never be said to welcome foreign development. However, General Chen Yi stated that he greatly desired the entrance of American interests in Mongolia. He naively explained that he was greatly in need of increased income for administering his government. [illegible] he suggested that he was anxious to have the gold mines north of Urga operated by Americans so he needed the taxes which would result from scientific operation and increased output. But he added that it was a matter for the Chinese Government to grant the concession rather than for Russian holders to transfer a concession not recognized as valid by the Chinese Government.

It may be said/

It may be said that there is not sufficient business in Urga to justify sending an American Consul there. The importance of Urga does not lie in that one exists there, but in the great possibilities for the future. The presence of a Consul alone would be an immediate spur and encouragement to increased American trade in Mongolia. At present no consular representation is present in Urga. The Japanese contemplate sending one shortly, as I am reliably informed. One official representative there, aside from the material benefits, would have a great influence on the Chinese officials in ameliorating and improving the unfortunate conditions prevailing. It is to be hoped that the first Consulate established in Urga will be, as it should be, American.

I have the honor to present

5. TELEGRAMS SENT

No. 1. Sent from Peng Kiang, Nov. 9th to Major Drysdale.

"Reached Peng Kiang 2:30 tenth everything well. Nobody interferes with us. Chen Yi went forward from here yesterday. Reported quiet in Urga. We continue."
/s/ Hagrader

No. 2. Sent from Urga, Nov. 15, 1920, to the Minister.

"Your instructions received. Conditions here not overstated. Russians indescribably mistreated. Our party cannot leave before Wednesday (17th). Hills probably will refuse to come account of personal and business pledges. Capt. Ross considers situation critical and desires to leave but no transportation. Tsi Hyngchi needs three or five cars. Our moral influence here great but in case of military failure every foreigner's life in danger of massacre. May I have some latitude in remaining personally or with party if demands of humanity warrant. Too much cannot be done in Peking to press relief for Russians who are looted, robbed and killed indiscriminately. Attack from outside forces expected soon. A consular representative sent regardless of Peking protest using expedition like ours would have tremendous influence for saving life, preventing great suffering and for protecting all foreign interests. Our party reinforced would be effective within limits. Cable known transportational facilities." /s/ Hagrader.

No. 3. Sent from Urga, Nov. 16, 1920, to the Minister.

"Your message fifteenth received. Everything well with party. Expect to leave Wednesday with whole party and Pittinghoff family. Conditions of Russians deserves all your consideration. Other foreigners respected at present time. If attack emites Chinese soldiers nobody is safe. Our departure will likely result in a reaction. Repeat importance of official representation here as a moral influence for humanity's sake. Military situation vague but perhaps more political than military possibly a Chinese made situation or possibly a Japanese affair involving Semenoff, Ungern and living God. I can remain if you desire and accomplish much restraining influence." /s/ Hagrader

No. 4. Sent from Urga, Nov. 18th, 1920, to the Minister.

"Now leaving Wednesday with Pittinghoff family and all American citizens so far as I now know. Conditions quiet. Notify British Legation all British subjects will accompany us. Request Danish Minister protect on behalf of Chutuem whose office looted and property seized without receipts." /s/ Magruder.

No. 5. Sent from Kga. Nov. 19, 1920, to the Minister.

"Arrived here O.K. with all Americans, Pittinghoff family, and others. Reach Peking Sunday. Everything well." /s/ Magruder.

5. TELEGRAMS RECEIVED.

No. 1. Received at 12:10 P.M., Nov. 9, 1920, at Kalgan.

(For Magruder) "Nothing changed since morning. Carry out plans unless permission definitely refused by Kalgan military authorities". /s/ Orme.

No. 2. Received Nov. 10, 1920, at Kga.

"Higashi requests see Captain Ino, Japanese military observer in Urga and receive his report." /s/ Drysdale.

No. 3. Philom to Magruder. Received at Urga, 10:00 A.M., Nov. 14th.

"Minister says carry out verbal instructions. Get Americans and leave Urga. Any who insist on remaining do so at their own risk". /s/ Philom.

No. 4. Received at 9:30 A.M., Nov. 15, 1920, at Urga.

"Telegram of yesterday received. Return soon as possible with relief party and American subjects also Pittinghoff family if permitted. Legation tries obtain protection for Mission.

/s/ Orme.

3-1 OFFICE CHIEF OF STAFF WAR DEPARTMENT

NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS. 20AJ-395 FEB 25 1921 WAR DEPARTMENT

SUBJECT: REPORT OF TRIP TO HUNCHUN-CHIHTAO DISTRICTS, MANCHURIA

by MAJOR W. C. PHILOON, ASSISTANT MILITARY ATTACHE

SERVICE REPORT

From: CHINA

No. 2726 Date: Jan. 21, 1921. 2055, 19

Replying to No. Date, 19

REC'D M.I.D., G.S. FEB 25 1921

Copies:
3 M.I.D.
1 File
1 Tientsin & Manila
1 Legation
1 Japan

Binding Margin.

SUBJECT REPORT OF TRIP TO HUNCHUN-CHIENTAO DISTRICTS, MANCHURIA

by MAJOR W. C. PHILLOCH, ASSISTANT MILITARY ATTACHE

SERVICE REPORT

From CHINA

No. 2726 Contd. *Date* Jan. 21, 1921. *19*

Replying to No. *Date* 19

Conclusions reached regarding conditions in the Hunchun-Chientao Districts as a result of my trip. These conditions are stated here at the beginning of this report in order that the reader may be saved the time of reading all the details unless his interest warrants it.

1. The Chinese are open to blame for permitting the Koreans to organize, arm and equip Independence soldiers on Chinese soil.
2. The Japanese entered the area in accordance with plans worked out long before the Hunchun incident occurred and probably would have entered without that excuse.
3. No effort was made by the Japanese to hunt down the bandits but all energy was concentrated on the Koreans
4. The mission of the Japanese troops was:

first: to crush the spirit of the Korean people of the area by showing the cruel power of Japan and the helplessness of the Koreans to escape that power.

second: to strengthen the Japanese hold on the district by improving their communications, increasing their military and police force therein etc.

third: to show the Chinese people their helplessness against the power of Japan.

[redacted] Bolshevism has played a negligible part in the Korean Independence Movement.

[redacted] While the Koreans have been treated very harshly and are not ready for independence, the methods adopted by the Japanese will never put down the movement.

Report and translations of various documents attached.

Binding Margin.

SUBJECT REPORT OF A TRIP MADE BY MAJOR PHILOCK ASST. MILITARY ATTACHE TO THE HUNCHUN CHIENTAO DISTRICTS, MANCHURIA.

From

No. 2726 (Contd.) *Date* Jan. 21, 1921., *19*

Replying to No. *Date*, 19

Binding Margin.

Itinerary
Dec. 8th Left Peking
Dec. 10th Mukden
Dec. 11th Kirin
Dec. 12th-14th Harbin
Dec. 15th-21st En route Hailin to Yenchi via Ninguta and Wang Hsin-Hsien
Dec. 23rd-27th Lungchingtsun (Liu Tao Kou)
Dec. 28th Yenchi
Dec. 29th-31st Enroute to Hunchun through Chinese territory.
Jan. 1st.-2nd Hunchun
Jan. 3rd- 4th Enroute to Possiet Bay
Jan. 5th Arrive Vladivostok via Russian Volunteer Fleet Steamer from Possiet
Jan. 7th-8th Enroute to Harbin
Jan. 9th Harbin
Jan. 10th-12th Enroute to Peking

CHIENTAO-HUNCHUN DISTRICT OR THE YENCHI"FU"

This district might be said to enclose the north eastern point of Korea. (sketch enclosed). The country is extremely mountainous, the numerous valleys being very narrow, the land however being very fertile. Fully 75% of the people in this district are Koreans, who, for the most part, are of the poor farmer type. For one reason or another these poor Koreans have emigrated from Korea into China and now cultivate the hillsides and the less productive part of the land which they lease from the Chinese owners- the owners, or other Chinese, cultivating the more fertile areas. The main arteries of communication into the district are as follows:
From Manchuria:

1. Southeast from Kirin.
   This is the Chinese mail route, the ordinary route for Chinese troops entering the district, but not the most advantageous for the handling of freight on account of hills, many rivers which must be crossed, and the general poor quality of the road. This route is covered by the Chinese Post from Kirin to Yenchi in about six days. This route is easily traveled in winter when streams are frozen.

2/ South from Hsilin on the Chinese Eastern Railroad.
   This route is along the telegraph line from Ninguta, about twenty miles south of Harbin, to Hunchun. This route is rarely used for commercial purposes on account of several very bad hills. This was the route traversed by Major Philoon on this trip into the district.

From Korea:
North from Korea via the Seishin-Huining Railroad, then across the Tumen River which forms the border between Korea and Manchuria along this entire district, to Lung Ching Tsun , or from the railroad terminus by road, east across Korea to Hunchun.
The Chinese and foreigners in Lung Ching Tsun expect the Japanese

next year to extend their railroad line to Lung Ching Tsun and possibly to Yenchi, ten miles farther north, and then east to Tien Pao Shan, a copper mine being worked by the Japanese. This extension will be along the line of the proposed railroad to Kirin.

4. From Ungi, Korea to Hunchun.

Ungi is a small port near the mouth of the Tumen River. Travelers entering the Chientao District usually come in via the Seishin-Huining Railroad. Those going to Hunchun go via Possiet Bay or Ungi.

From Siberia:

5. From Possiet Bay (Russian Territory) to Hunchun.

The Japanese have endeavored to obtain a concession from the Chita Government for a railroad line running from Possiet Bay and have asked the opinion of certain foreigners in Chinese Government positions what their attitude would be towards such a line being built by the Japanese.

Products.

At the present time there is practically nothing exported from this district except lumber and agricultural products. The former is floated down the streams and to a large extent exported to Japan for match wood or building material. The beans, corn and other agricultural products must be carried out by cart which is rendered difficult because of the cost. Coal, copper, lead, silver, gold and iron are known to exist in the hills. One copper mine and one lead mine are at present being worked by the Japanese. Each of the three principal towns, Hunchun, Lung Ching Tsun and Yenchi have native coal mines within a few miles. The coal is of inferior quality.

KOREANS IN AREA.

Roughly, 75% of the inhabitants in the Hunchun Chientao Districts are Koreans. A large number of these, prior to the advent of the Japanese Military Forces, this last Fall, held certificates from the Chinese Government showing them to be acknowledged citizens of China; this in accordance with the Tumen River Agreement of 1909 between Japan and China. Many of these Koreans also were land owners. According to the reports I received from numerous Chinese officials during my trip, the Japanese troops have forced large numbers of these Chinese citizens of Korean blood to surrender their land and citizenship certificates to the Japanese and have also forced them to swear before Japanese Consular authorities that they are henceforth Japanese subjects. The larger part, however, of the Koreans are the poor farmer type who lease land from the Chinese owners and cultivate in a small way the hillsides and other poorer areas which the Chinese cannot themselves cultivate with profit. Every small valley in the district contains many Korean villages of from three to twenty-five houses. These villages are invariably situated, not in the middle of the level plain, but close to the hillsides where the Koreans till the soil.

Foreigners in the district, who know the Koreans, state that the average Korean is not quite so good a man generally as the average Chinese. They also do not believe that the Koreans are ready for independence at the present time.

Korean Independence Movement.

It is of course well known that there is a Korean Independence movement, that there is a Provisional Korean Government, etc. The inner workings of this organization in the Hunchun-Chientao Districts are largely a matter of uncertainty to the Chinese and foreigners of the District. It is of course understood that the Koreans of Manchuria desire the independence of Korea, many of the emigrants from Korea having migrated to Manchuria because they had lost their land in Korea, been forced to surrender some of their political rights or privileges or to humiliations of the Japanese.

Just the percentage of actual active supporters of the Independence movement in this district is entirely unknown. It is an undoubted fact that a large number of Korean families have been forced to contribute to this movement whereas by preference they would peacefully till the soil and forget political questions entirely. There are, or were, at least, prior to the entrance of the Japanese troops into the district, Korean Independent soldiers wearing uniforms and bearing arms. I was able to find very few Chinese who would admit ever having seen these soldiers, although practically all knew of their existence back in the mountains. No one would acknowledge having seen more than two or three at a time and in these cases the soldiers had come down to the villages for food and having received the same proceeded on their way as they were requested to do by the Chinese. From all information I received I should judge there might have been in all three or four thousand of these independent soldiers bearing arms and possibly many thousand more without arms. The Japanese have given out very little information that appears to be authentic as to engagements between these Korean Independence soldiers and their own troops. There are a few rumors current among the Chinese that would lead one to believe that the Korean Independents were not dispersed by the Japanese without considerable loss of the latter forces. One rumor tells of Japanese forces working up to adjacent mountain ridges with the Koreans supposedly in the valley between. In the fog of early morning the Koreans succeeded in getting out and the Japanese succeeded in shooting up each other with considerable loss of life. There are several other unconfirmed reports of actions where the Japanese losses were quite heavy. All information I received, indicated that the Japanese troops had driven the Independent forces either into the high mountains southwest of the Chientao District or into the mountains along the border between Siberia and eastern Manchuria. That there have been a large number of engagements I consider extremely doubtful as I passed through all the important towns of the districts, talked to the military and civil officials as well as the inn-keepers, farmers, shop-keepers and travellers along the roads. All persons whether officials or otherwise were extremely frank and obliging and apparently anxious to do everything possible to spread the truth concerning conditions in the district before the world. The stories from all were astonishingly near alike in their general facts, and coming from all classes I believe they must be generally true. With the above exceptions there was no mention made of any general fighting between Korean Independents and Japanese forces. All stories told of the entrance of Japanese troops into Korean villages, of the seizure of a part of the Korean inmates, of many instances of torture of these inmates and the eventual shooting or beating to death of many of the male villagers, the burning of many of the houses-sometimes with the inhabitants inside. I do not believe it is necessary to go into the details of these acts of barbarism, and I believe no other term can properly be applied to fit the facts of the case.

I personally visited one Korean village where half of the buildings including the church and school had been burned; where twenty-four men had been shot without trial or other form of investigation, and where the half dead bodies had been covered with straw and partially burned. Some of these bodies were a few days later exhumed by a foreigner and showed from the positions of the arms and other parts of the body that the victims must have been conscious at the time the fire was placed upon them. This particular village because of the investigation by foreigners was later visited by the Japanese authorities and after investigation the latter announced their regret as to the action of the troops in this case. There are hundreds of other villages which undoubtedly received more or less the same treatment. This particular one happens to have been within a short distance of foreigners and consequently was investigated by them.

No one knows, or will acknowledge at least that he knows, even the names of the Korean Independence leaders. The Japanese have had a large number of Korean spies who have naturally used every effort to find out the names and whereabouts of the leaders. On account of these spies it

was of course impossible for me to obtain any information from the Koreans themselves, as my goings and comings were watched very carefully by the Japanese and any Koreans with whom I talked were sure to be visited later by Japanese agents. In fact some of these agents as I was leaving the district were sent to my house in an endeavor to get a statement of Korean sympathy or other information which would show my attitude.

It is probable that every Korean family almost without exception has been forced, no matter how poor, to contribute something toward the independence movement. Each village has had its designated collector to receive funds, clothing, food or other contribution to be forwarded to the designated place. Probably not all the people in the village would know the name of the collector so secretive is the organization in order to protect itself from the numerous Japanese agents. Instances have been known however, where persons refusing to contribute have been punished in one form or another for such refusal.

The arms and ammunition in the hands of the Independents has probably come from a variety of sources. Every farm house, Chinese, Korean or otherwise in this bandit infested district originally had at least one gun for protection. Many Independents may have taken their arms with them from their homes. It is possible, I learned from sources within the Chientao District and from other sources in Vladivostok, that some arms and ammunition might have been bought from the Czecho Slovaks at the time of their evacuation. It is possible that arms and ammunition have been bought or even furnished by the Bolsheviks. It is possible also that arms and ammunition have been bought from other sources in Siberia. It is extremely doubtful however if arms and ammunition in large quantities have been obtained from any or all of the above sources as judging from all the information I received there were not more than three thousand Koreans bearing arms.

Bolshevism Among the Koreans.

Bolshevism as it exists in Russia is less known in the Chientao District at the present time among the Koreans than in the United States. I learned in Vladivostok that the Bolsheviks in Siberia have made some effort to keep in touch with the Koreans and by talking with the Korean leaders undoubtedly have encouraged them in Siberia to continue their opposition to the Japanese authorities. I could find no evidence however of their giving any material assistance to the Independence movement.

The Independence movement, I know from other sources existed prior to and without any support of Bolshevism and I do not believe that Bolshevik influence or support has influenced the movement to more than a very slight degree.

Treatment by Chinese.

The Chinese in Manchuria are without exception extremely friendly with the Koreans and they sympathize with them at this time when in the middle of winter so many of the men have been killed and houses and food stuffs burned. As stated before, probably seventy-five percent of the inhabitants of the districts are Koreans. The Chinese, in general, are the shop-keepers and land owners, leasing their land to the Koreans who pay by returning a certain portionof the crops to the land owner. The Chinese officials have known of course of the existence of the Independence movement in Manchuria but undoubtedly their sympathies have been such that they have not made a proper effort to prevent armed and uniformed Koreans from moving about. So long as these men kept reasonably out of sight in the hills and did not move about in large numbers their presence was winked at by the Chinese. As stated in the beginning a large number of these Korean inhabitants have become legal Chinese citizens and the emigration of Koreans into China has always been welcomed by the Chinese. Not once in my entire trip did I hear a Chinese speak of a Korean in any but a spirit of friendliness.

Treatment by Japanese.

As has been stated previously, the Japanese were cognizant of the Korean Independence movement in Manchuria; that Koreans were wearing military uniforms, bearing arms and the Korean population in general contributing to their support.

I have reason to believe that the Japanese authorities notified Chang Tso-lin last Spring, or early Summer, that unless conditions improved in the Chientao District it might be necessary for the Japanese to take control of the district for the moment. The Japanese claimed that bands of Korean Independents were frequently crossing the Tumen River into Korea and attaching soldiers and civilians there, killing and robbing them and then returning to Manchuria.

It is evident that the Chinese authorities made a weak attempt to improve conditions after this notification as a few Korean soldiers after travelling a month from the mountains reached the Missionary Hospital at Lung Chung Tsun. These Koreans had been wounded, so they stated, in a fight with the Chinese soldiers.

Whatever action the Chinese took however must have had very little effect upon the general situation. I learned that the Japanese military advisor to the Tuchun at Kirin,-Colonel Saito, had been in the Chientao District since last August and a reliable Chinese official told me that Colonel Saito had made arrangements for Japanese occupation prior to the Hunchun incident.

I believe that the Japanese forces were prepared to and would have entered the district even though the Hunchun incident had not occurred. It is not considered necessary to relate the burdensome details of the Japanese entrance to, occupation of and actions within the district. One might easily write a book to cover all the points involved.

With the second attack on Hunchun,during which the Japanese Consulate was destroyed and several Japanese lives lost, Japanese troops were rushed into the district. These troops came chiefly from Korea. A standard gauge railroad runs from the coast at Seishin, north across the northern part of Korea to Huining on the Tumen River which forms the boundary between Korea and Manchuria. Most of the troops came from Huining, Ramam and other stations along this line although after the first occupation, a brigade of about 3000 men came down from Siberia and marched overland to Hunchun, thence to Yenchi and Lung Ching Tsun and thence to Korea.

The bases for Japanese occupation were Hunchun, Wang Hsin Hsien, Yenchi, Lung Ching Tsun, Ton Tao Kou and Holung. Troops moved into the above places practically simultaneously and beginning on an appointed day conducted for about fifteen days a reign of terror among the Koreans. During these days, the Japanese columns reached practically all of the Korean villages in the vicinity of these towns. According to the stories told by the Chinese and foreigners, action was almost invariably swift. The soldiers would approach a village. Any Korean men of military age who were found in the village were in grave danger of being shot on sight, tortured by beating, bayonet stabbing, burning or by being bound in some way and led away, never to be seen or heard of afterwards by their relatives. The general report among the Chinese is that the favorite way of leading away the Koreans was by piercing the palm of the hands and putting a rope or wire (by which the Korean was led away) through these holes. There are no reports telling of any fair trials or proper investigation prior to the punishment of the people. Reports do not indicate that the Japanese soldiers even stopped to ask the name of the individual in most cases. The burning of buildings together with the stacks of grain, the food supply for the coming year, went with the punishing of the men. It frequently happened that women and children would remain in the houses and be burned to death rather than come out and face the Japanese soldiers. Reports of looting are common. Koreans, regardless of their citizenship, and Chinese were forced to feed and quarter Japanese troops, usually without pay. One Chinese farmer at whose house I stopped during a noon day rest informed me that Japanese soldiers quartered in a Korean village near by had visited his house and taken ducks, chickens, eggs, etc., for their own use, giving nothing in return. These same Japanese troops stopped a Chinese orderly who

was bringing along a Russian horse which had been loaned me for the trip by a Chinese official. They considered very seriously appropriating this horse, but as I had just passed by an hour or so previously with a similar animal they no doubt finally considered that it would not be safe for them to hold the animal, consequently after detaining the orderly for ten minutes or so they permitted him to go on his way. Chinese as well as Koreans, together with their horses or oxen and carts were forced by the Japanese to perform duties for them.

To December 28, 1920, I was informed by a Chinese official, they have record of 1602 Korean houses having been burned, 906 Koreans killed, about 100 Chinese houses burned and 11 Chinese killed. Chinese records show that burnings have taken place at 48 different places.

I have previously mentioned the fact that Koreans resident in the Chientao district at the time of the Tumen River Agreement of 1909 became Chinese subjects and that other Koreans have received from the Chinese Government the full rights of Chinese citizens since that time. Japanese troops forced the Koreans to give up these evidences of Chinese citizenship also their land certificates in case they were land owners in China. They also searched for any documents to prove that the dwellers were in any way implicated in the Korean Independence movement. Certificates showing the individual to be a contributor to the movement, without investigation to determine whether or not such contribution was spontaneous or forced, was considered sufficient grounds to warrant punishment. The Japanese have organized societies in the district and forced Koreans to become members of these societies by taking oath before Japanese Consular officials. These societies are supposed to make the members good Japanese citizens.

Practically all of the Japanese terrorism was practiced during the alloted fifteen days. After that time a few houses were burned and naturally as information came to light showing that certain individuals were really implicated in the Independence movement, these persons were punished; but in general the burnings and torturings ceased, although Japanese columns continued to reach out farther from their bases to impress the Koreans and Chinese with the Japanese power and the helplessness of the Koreans and Chinese. I met one column of about 45 infantry soldiers and one machine gun fully 150 miles from the Korean border and about fifty miles from its nearest base.

At the time of my departure from the district, January 3rd, the Japanese troops had very largely withdrawn.

At one time there were between 10,000 and 15,000 Japanese troops scattered over the district with wireless stations at Hunchun and Lung Ching Tsun; with permanent and semi-permanent telegraphic communication between Korea, Siberia and the five bases mentioned above, together with field telephone lines radiating out to the numerous smaller detachments based on these towns. I should judge that there were between two and three thousand Japanese troops left in the District at the time of my departure, and I believe these troops are likely to remain together with permanent telephone and telegraph lines from Korea to Holung, Lung Ching Tsun, Yenchi, Hunchun and probably Wang Hsin Hsien. The wireless station at Hunchun has been taken down but the one at Lung Ching Tsun remains. This is a field wireless set, the power of which has been increased by putting in a semi-permanent wooden mast 60 to 70 feet tall and stringing additional wires overhead. Chinese officials have informed me that there is a Japanese wireless station at Huining, Korea, across the Tumen River from Manchuria and about 25 miles from Lung Ching Tsun.

BANDITS.

Bandits are ever present in the Hunchun area. The Chinese officials have never made a determined effort to wipe them out. My questions to Chinese officials as to whether or not the Japanese attempted to fight the bandits invariably led to smiles and statements that the Japanese made no effort to

find bandits but confined their work to the Koreans.

The Hunchun attacks by the bandits had no connection with the Independence movement.

JAPANESE IN AREA.

Without doubt one of the objects of the Japanese invasion of the Chientao District was to strengthen the Japanese position therein. The Japanese have had for some years a telegraph line from Seishin and Huining in Korea to Yenchi through Holung and Lung Ching Tsun. Theywish to extend their standard gauge railroad from Huining in Korea through Yenchi to Kirin. During the recent invasion they extended their permanent telephone and telegraph lines as mentioned above. It is common talk in the district that in the Spring the Japanese are to extend a narrow gauge railroad line from the Korean border to Lung Ching Tsun, Yenchi and further to a Japanese copper, lead and silver mine, Tien Pao Shan, east of Yenchi. The Japanese are, also, according to reports in Vladivostok endeavoring to obtain a concession from the Chita Government for a railroad from Possiet Bay which will lead to Hunchun and later no doubt connect up with the other proposed line. There are few other workable mines developed at the present time in the district although there are evidences of coal and iron, lead, silver, copper, gold and limestone. Each of the larger towns has coal deposits within a few miles which are developed for local consumption only. A part of these at least, are worked jointly by Japanese and Chinese.

There are a few Japanese shop-keepers in each town and naturally by far the larger percentage of the goods imported is Japanese. Imitations of American and Europeansbrands of condensed milk, soaps, toilet supplies, etc., are very numerous. In one store I found two different kinds of Japanese imitations of the "Eagle Brand" Borden's Condensed Milk.

Treatment of Chinese Officials and Citizens.

Chinese military and civil authorities have been instructed by higher authority not to cause any trouble between themselves and the Japanese. Stories are numerous of the Japanese taking individuals arrested by the Chinese police force from them. Korean members of the Chinese police force have been taken against the protest of Chinese officials by the Japanese troops and shot. Japanese police have roamed about indiscriminately over the District arresting whomever they chose, ignoring Chinese officials entirely.

As stated above the Chinese officials have records of at least eleven Chinese who have been killed by the Japanese and about one hundred Chinese houses have been destroyed.

Japanese aeroplanes have flown over the towns of the district and dropped bombs in adjacent fields, afterwards landing, driving away the Chinese and calling all the Korean children about and explaining to them the wonders of it all.

Missionaries.

The only foreign mission in the district is a Canadian Presbyterian one at Lung Ching Tsun or Liu Tao Kou, as it is also called. There is here also a foreigner in charge of the Chinese Customs station. Normally there are three missionaries, male, including one doctor at the station, together with their wives and two additional female workers. The relations between these missionaries and the Chinese officials are very cordial. These missionaries work almost entirely among the Koreans. They speak Korean fluently but Chinese very little. They consider themselves as a part of the Korean Mission movement rather than Chinese. They are not on friendly terms with the Japanese authorities in the District because they feel that the Japanese have made little effort to seek out the guilty persons connected with the Independence movement for punishment, that instead they have entered the district with the intention of terrorizing all Koreans whether innocent or guilty and of showing that even though outside the territorial limits of the Japanese Empire

and holding certificates of citizenship in another country, they cannot escape the strong hand of Japan. The missionaries also feel that the Japanese have been especially hard upon the Christian Korean families in villages. They have received reports from the Christian Koreans which lead them to believe that this reign of terror was aimed more at them than at the others. A Japanese Colonel, Michimachi, and a Commission of Japanese military officers were sent by the War Office in Japan to Lung Ching Tsun. This Mission arrived on an evening. The following morning Colonel Michimachi, the head of the Mission, issued a signed letter in English, a copy of which was furnished each missionary, and a copy of which was telegraphed to the foreign papers in Japan, Korea and perhaps America. This letter stated that the Mission had been sent by the War Office to act as Liaison Agents between the foreign missionaries and the Japanese authorities in the district to endeavor to arrange a better understanding between the two. The letter continued by criticizing the action of the missionaries and by threatening that unless they endeavored to teach the Koreans to become loyal Japanese subjects the Japanese might see fit to assist the revolutionary elements in India and Ireland. In view of the fact that this letter was issued early the morning after the arrival of this Mission on the previous evening and before the members of the Mission had seen any member of the missionary body, it is easy to see that Colonel Michimachi and the others failed to bring about the desired understanding.

From my associations, during several days with these missionaries, I believe that they have not in any way assisted the Independence movement except as Americans and Canadians who enjoy a large degree of political freedom must inevitably and unconsciously spread a desire for similar freedom and independence among those with whom they come in contact.

The missionaries at Lung Ching Tsun have ample evidence of Japanese spies endeavoring to obtain evidence against them. Their mail, through Korea, is always opened. When making investigations they are always followed by Japanese who force the Koreans to tell everything that has been asked of them. In one particular instance where the Japanese authorities asked the missionaries to go with them to investigate a certain village, the investigation was postponed an extra day on a pretext that a sufficient number of horses could not be obtained, but on which day, a Japanese was sent to the village to prepare the Koreans for the investigation. Upon the arrival of the investigating party one of the Korean elders of the village met the party with a banner expressing a message of thanks from the Korean villagers to the Japanese authorities for what they had done. An ox was also presented to the Japanese as a thank offering. One of the missionaries had by chance made personal investigation in this same village two days after twenty-four of its male members had been shot; its school, church and about eight dwelling houses burned.

Such instances cause the missionaries to distrust the good faith of the Japanese. I am convinced the missionaries have tried to play fair. They have certainly been watched very closely by the Japanese and consequently have not dared to misrepresent conditions as the Japanese would have caught them in so doing. Their reports in the papers have been correct.

Japanese Government.

By treaty with China the Japanese have Consuls in Hunchun, Yenchi and Lung Ching Tsun. These Consulates have been entitled to a small police force to protect the Consulates. The police however have gradually assumed authority and extended their operations throughout the district arresting whomsoever they pleased and dealing with them as they saw fit, and not confining their actions strictly to Japanese subjects.

Whether or not the Japanese troops will be entirely withdrawn from the district remains to be seen. I believe however, that two or three thousand are likely to remain.

The Japanese authorities have asked permission from the Chinese to increase their police force one hundred fold. It is possible that when this is done the troops, as such, will be withdrawn.

Mention has been made previously of the announcement by the Japanese authorities early in 1920 to Chang Tso-lin, that unless conditions were improved in the district, the Japanese might take control for the moment. After my trip it looks very probable to me that the Japanese invasion may have been made with the consent of some high Chinese official who very likely received some sort of a consideration as a peace offering.

CHINESE IN AREA.

As is known, I went to the District with the knowledge and full consent of the Chinese Foreign Office and Ministry of War. These two ministries notified their subordinate officials all along the line of my journey as to my probable arrival and instructing them to assist me in every way possible. This was done, and every Chinese citizen whether official, inn-keeper, shop-keeper, simple farmer or otherwise did everything possible to make my journey easy and pleasant and to give me all information at their disposal.

Probably about twenty percent of the inhabitants of the district are Chinese. They are largely the official, land-holding and merchant classes. In no instance did I find them unfriendly toward the Koreans but invariably sympathetic toward them.

The "fu" city of the district is Yenchi and the ~~Tuchun~~ Taoyin, Mr. Tao who took office a few days before the second Hunchun affair has a reputation for being very able as a Chinese official. He was previously in Yenchifu for about ten years but has recently been in Changchun for three or four years. He is thoroughly in touch with the situation and afforded me every possible assistance. The Defence Commissioner of the district, General Chang also has his headquarters in Yenchi. General Chang also took station after the trouble started. He gives one the impression of being the average type of higher Chinese official but with an efficient staff of the younger generation. The subordinate civil officials for the most part seemed thoroughly conscientous and desirous of maintaining Manchuria for the Chinese. The same can be said of the junior military officials. They all felt their handicap, that China was a weak nation incapable of defending herself by force of arms at this time. They had all been instructed not to oppose the Japanese to the point where there would be trouble. Consequently they have been forced to see Chinese citizens and Koreans whom they have arrested for various offences taken from them by the Japanese, the Chinese to be punished, the Koreans perhaps to be released without even a trial. They have seen Korean smugglers, arrested for bringing into China salt and other commodities, taken from them by the Japanese and the same persons reappearing a few days later continuing their trade.

Since the Hunchun trouble some new Chinese troops have been brought into the District. There are at present about ten battallions chiefly from the first and second Kirin mixed brigades. With the possibility of trouble from the Hunhutzes, the Koreans, the Bolsheviks, the White Russian forces and the Japanese, this force is entirely inadequate. In my opinion there should be at least two additional divisions or four mixed brigades of the best Chinese troops between Pogranmitchnaya and the Chientao district. Strange to say Chinese officials of sufficient influence to obtain this proper number of troops in the district have stated that China is a poor country and can not afford to raise additional troops to send there.

REASONS FOR INVASION.

In brief: I believe the Japanese entered the Hunchun--Chientao District in accordance with plans worked out long before the Hunchun incident occurred. I believe ~~that it is probable~~ they entered the district with the knowledge and consent of some high Chinese official. I believe the Japanese had no intention of fighting bandits when they brought troops into the district, but that their two motives were

first: to crush the Korean Independence Movement by a campaign of terror against the Koreans in general.

second: to demonstrate to the Chinese people of the District their own helplessness compared to the power of Japan and to strengthen their grip upon the country by increasing their lines of communication and their military or semi-military police force.

PROCLAMATION

The Commander of the 19th Division of the Army, in the matter of instruction for the guidance of the public: Since the coming of our Army to Chientao the rebels are greatly terrified and the rebellious gangs under the leadership of the notorious Koreans Hung Pan T'u and Chin Tso Ch'en are shattered to pieces after the attack at Ch'ing-sham. They dare not show any resistance and were unable to flee to the Russian territory and An-t'u. They were subdued anyhow, but the remnants are still wisely disguised as good people and often creep out from their haunts or their dens in the mountains to create disturbance. This gives us an intense hatred.

Now our troops at Vladivostok have made a war preparation on the north and the Chinese troops are being sent to the west for this. I, the Commander, am trying to search for the remnants and decide to make a stop to these gangs. They will soon be cut off by the root.

I hope you, the people, know the object of Japanese and Chinese Governments to act conjointly with the military strength of both countries is to clear off the trouble and maintain the welfare of both the Japanese and Chinese inhabitants.

Our army is noted for its valour from the ancient times and will never do any cruelty. I hope you, my people, will still bear in mind what I proclaimed to you before or you will repent of your action. If those who were forced to join the rebels are now repent of their misconduct and will come to our army to surrender I will try to pardon them.

A special proclamation to be strictly obeyed.

(signed) Baron Kao-tao (Takashima)

Commander of the 19th Division.

8th of the 11th month of the 9th year of the Emperor Taisho. (Nov. 8, 1920)

PROCLAMATION

The Commander of the Japanese Troops in Korea, in the matter of instruction for the guidance of the public. The notorious Koreans plotted with the mounted robbers (Ma-tzei) and the highwaymen (Hu-fei) to make a sudden attack on the Imperial Consulate at Hun-ch'un. They not only burned houses and killed and wounded the people and yet they intended to cross the territory to create disturbance. This kind of act is intensly hated, so the Imperial Government decided to send troops and consulted with the authorities of the Republic of China to suppress this lawlessness. This is done for the protection of the territory and the people, and the Japanese Government is under obligation to do so and there is not any other intention besides this. We shall respect the authority of China and shall make no injury of the people. But if the thoughtless people try to make trouble to hinder the process of the military movements or to give assistance to the rebels, they shall be punished according to the law without mercy.

You, the people, must know that the Imperial Army is to act conjointly with that of China to put down the rebels. To put down the rebels is to maintain the public interest and peace. I hope you, the people, will give your sincere assistance to the Imperial Army to show the warm friendship between the two countries.

Fearing that any misunderstanding might arise among you, hence the proclamation.

(Signed) Ta-ting (Omachi)

Commander of the Japanese Troops in Korea.

15th of the 10th month of the 9th year of the Emperor Taisho (Oct. 15,1920)

TRANSLATION FROM THE SHENGCHING SHIH PAO MUKDEN Dec. 22, 1920.

THE HIDDEN CAUSE OF THE AMERICAN OFFICER'S VISIT TO CHIEN-TAO

Major l-lun (mistook for Phyloon) Military Attache, American Legation at Peking, left Ningkuta for Chien-tao on the 16th instant. His object is t to search for the material with which to excite the people. It has greatly aroused the attention of the public.

(special telegram sent from Peking on the 20th.)

COPY OF LETTER FROM KOREAN MISSIONARY IN CHIENTAO DISTRICT TO A MEMBER OF A JAPANESE MILITARY MISSION SENT TO INVESTIGATE CONDITIONS

Lungchingtsun
Dec. 14, 1920.

Dear Captain Watori,

In accordance with your request of last evening I am forwarding to you some items which may be of help to you in your investigation into alleged atrocities committed by Japanese soldiers during the punitive expedition in Chientao and Hunchun. I have good reason to believe they are substantially true. I have personally verified many of them.

1. Over twenty men brought in from various places, it is not known where, were shot outside Tutogo and their bodies left for days, a prey to dogs and crows, by the road travelled daily by the Chinese and Koreans on their way in and out of town. The Koreans finally petitioned the authorities to have the bodies removed.

2. Wholesale burning of buildings. I mention only a few instances. As you know this was a common thing.
Yangmuchimgjai ( ) 19 houses burned with grain. The men of the village fled when they saw the soldiers coming, and without any adequate examination, I believe without any examination, the houses were destroyed. Other houses in nearby villages were destroyed making a total of 25 in the neighborhood.
Chungsam ( ) A whole village of 30 houses burned with grain, with nearby villages - 45 houses.
Walugo ( ) 130 houses said to have been burned in 2 adjacent villages Reports of this heard from various sources.
Chogun Ovtugo ( ) 17 houses burned
Choyogo ( ) 26 houses burned in one village
Kun Hoimakkol ( ) 33 houses burned
and so on.
There are thousands of people homeless and without their year's crops, without their clothing and bedding and household utensils, and the most of these are women and children. In Choyogo ( ) which I saw a few days ago half the village is wiped out completely, not a houseshere and there, but practically every house. Is it likely that every man in this half was guilty and every man in the spared half innocent ? Yet the claim is made that adequate investigation was made before burning a man's house.

3. Looting. Reports have come in from all over the country of indiscriminate looting during the punitive expedition. Soldiers are reported to have taken women's large silver rings, clothing, bedding, caps, looking glasses, watches, money, chickens, eggs, etc. This report is so general that one cannot but believe it. I heard a few days ago that a military officer at Loutago, when addressing a meeting of Koreans, made the statement that during the pimitive period soldiers had so looted but that from now on they would pay for what they wanted, which goes to prove, not only that looting was done, but that it was done with the approval of the officers in charge.

4. Insulting women. We have heard from several sources of raping, attempted raping, seeking to gain consent, and such like. Two days ago a young girl of 16 years was in our home. She had been sent in from a village where the soldiers have been so troublesome that for fear this girl would be molested she was sent away from home. **********

5. Killing of innocent people. At Chungsam in one village 70 or 80 people were killed, including the women and some children. Two whole families are reported to have been burned alive in their houses. There may have been agravation on the part of the village, but does that justify such wholesale slaughter ? I need not mention Norubao ( ) as reference has already been made to it by others, and General Higashi and others have expressed regret for the action of the soldiers there.

Then there are cases of men having been hacked to death by swords or bayonets, beaten to death with clubs, and such like.

I trust that your commission will arrive at impartial and fair conclusions, and what I have written may be of some value to you - that for the sake of justice, righteousness, truth and fair play you will carry on your investigation with a sincere desire to know the truth and that should you conclude atrocities have been committed that you will bring the offenders sharply to task.

Thanking you for the opportunity you have afforded me of helping you in the work assigned you by your government,

I am,
Yours truly
(signed) A. H. Barker

P.S. I am enclosing lists of Korean churches and schools burned. I trust your government will take up this matter and supply the funds necessayy to repair them.

Churches Destroyed:
1, Nopeh ( ) The soldiers said afterwards that they thought the building was a school. Destroyed Oct. 30.
2. Paikunpyung Chungsan ( ) Oct. 21, about.
3. Norubao ( ) Oct. 31.

Schools burned:
1. Nopeh ( ) Oct. 30.
2. Wamko ( ) Oct. 31.
3. Yangmuchungjai ( ) Nov. 4th.
4. Myung Dong ( ) Oct. 20. Large brick school which will cost Yen 8,000 or 10,000 to replace.
5. Loyangjai ( ) November.
6. Siko ( ) November. Joint Christian and non Christian school
7. Chungdon ( ) About December 6th or 7th.
8. Norubao ( ) Oct. 31
9. Kumdongchon-Hunchun ( ) October
Changkol ( ) About October 20. Joint Christian and non Christian
Sipripyung ( ) Do not know.date. Non-Christian. sch
Lutogo ( ) Non christian. Estimated cost to replace Yen 20,000

Besides these there are others that I have not yet heard of.

We feel that it is unfair to destroy a church or school building on the ground that a member or members may be considered to have done wrong. Why punish a whole community for the offence of individual members ?

LIST OF THE KOREAN AND CHINESE KILLED AND WOUNDED BY THE JAPANESE TROOPS IN YEN-CHI, HUN-CHUN, WANG-CHING and HO-LUNG DISTRICTS.

Issued by the Bureau for Foreign Affairs, Office of the Yen-chi District.

Yen-chi-hsien:

324 Koreans killed (men and women)
37 wounded
316 families burned (houses,properties,food and fuel)

2 Chinese families burned
12 families looted

Hun-ch'un-hsien:

51 Koreans killed (men and women)
9 Koreans captured
30 families burned

8 Chinese killed
13 Chinese families burned

Wang-ch'ing-hsien:

67 Koreans killed (men and women)
86 families burned
1 school kept by the Koreans burned
9 rooms of the school building belonging to the 9th Government Primary School burned

Ho-lung-hsien:

446 Koreans killed (men and women)
1170 families burned

3 Chinese killed
2 Chinese wounded

Total:

906 Koreans killed
9 Koreans taken prisoner
33 Koreans wounded
948

1602 families and 1 school building burned

11 Chinese killed
2 Chinese wounded
13

27 families and 9 rooms of the 9th Government Primary School burned

This is written according to the latest report from the four Districts Dec. 28th, 9th year of the Republic of China.

Copy of a LETTER FROM A KOREAN MISSIONARY IN CHIENTAO DISTRICT TO THE PEOPLE OF THE CHURCH IN CANADA WHICH SUPPORTS THE MISSION.

Kando, via Kainei, Korea.
Dec. 13, 1920.

Dear People of etc.

While away we heard that the Japanese troops had invaded our part of China. You will perhaps have seen in the papers of the invasion of Chientao, which is another way of spelling Kando. We hurried back as we were quite sure things were likely to be in pretty bad shape, and we found things in some ways even worse than we had expected. The whole country was full of soldiers, and for fifteen days they had been carrying on a punitive campaign against the Koreans in this territory on account of their independence activities. The Koreans have an "Independence Army" of some thousands, but they were away up in the depths of the mountains anywhere from 30 to 50 miles from here, and the punitive expedition was made, not only in their direction, but also against villages all over the country where independence societies had been formed, independense activities of any sort carried on, collections made in behalf of the movement, and so on. A band of soldiers would arrive suddenly at a village, perhaps at daybreak or sometime through the day, houses and grain burned, men shot without any real examination, houses looted, in some cases women were said to have been insulted in an unmentionable way, and often men were taken prisoners, taken away to be shot perhaps by the road side or in some lonely ravine, or hacked to death with swords, or beaten to death with clubs. A veritable reign of terror was established, hundreds of houses burned, hundreds of men and some women and children killed, and thousands of people, mostly innocent women and children made homeless and destitute, without clothing, bedding, food or household utensils. Fortunately Koreans are very hospitable to each other and already most of these have found shelter for the winter. Here are a few examples of what was done. At a place called Norubawie Soldiers arrived at daybreak, surrounded the village, called the men (practically all innocent, any involved in the independence movement having gone away) out of their houses, shot them with three shots each, piled wood (brush) on them and set fire to it. Some who tried to get up on their hands and knees were bayoneted till dead. About 15 houses with the year's crop by each house, were burned. Over 30 men were killed, of whom 14 were Christians. The elder of the church lost two sons and a brother. The church and church school buildings were burned. The elder was away at the time. He was here in YongJung pleading for his village. He was told to be gone as his village was already on fire. Dr. Martin visited the group next day, took some photographs, and found what had been done. Later Mr. Foote and Misses Palethorpe and Whitelaw visited the place to render assistance to the people. When the military authorities head of this they sent soldiers again, ordered the people to dig up the charred remains (which they had meantime buried) and bring them together. They then built a big fire and destroyed them. They questioned the women re the dead, their age and history generally, took another son of the elder away with them to be released after two weeks or more of confinement.

At another place, Chungsan, the soldiers went into a mountain valley in pursuit of Independence soldiers. The latter were in ambush on either side of the valley and fired on them, killing, it is said, about 100. Those remaining came back and on reaching the village of 30 houses destroyed every house with all the grain. About 70 or 80 non-Christians and 10 Christians were killed, among the latter being two women and several children. Then they came to a village 5 li below, destroyed a church and 10 houses, and killed 12 men, first shooting them and then throwing their bodies into a house to which they set fire. About ten li away from this village four houses were burned and eleven men were killed. In this whole Chungsan District within a radius

of three miles 45 houses were burned, 15 Christians were killed, and anywhere from 80 to 100 non-Christians. ATanother place the Japanese soldiers, after a slight brush with the Korean soldiers, mistook each other for the enemy and killed, it is said, about 200 of their own number and wounded many more. In the neighborhood were 130 houses in two villages, and the report is that they burned all these, killing one man only, however. In many places, one building, a dwelling or a church or a school was burned, and in many places, one man, perhaps was killed. In our whole field about 100 Christians and several hundred non-Christians were put to death, the majority of whom were either innocent or perhaps shared only by belonging to some independence society or by helping the movement with a collection/in some such way. The whole Korean population has been thoroughly cowed and frightened. After the 15 days of such work they were ordered to come to Consular centers such as YongJung and confess everything they had done in the movement, bringing in any independence materials they might have, promise to be obedient to the Japanese hence forth and so on. It is to be remembered that all this is in China, not in Japan or Korea, and that the Japanese army was here without permission from China. The Chinese Government has agreed to prevent another independence movement, or anything which will imperil the lives or safety of the Japanese residents in the district or the peace of Korea. The Japanese have agreed to withdraw the most of their troops and this has to a large extent already been done. But they claim the right to rush in again should there arise a need for so doing. Japanese consular police are in various parts of the country and several thousand Chinese troops are already on the scene so that there is not much outlook on the part of the Koreans for future independence activities.

I have made three trips since coming back from Seoul, one short one with Dr. Martin, and a short one and a long one with Miss Palethorp. We had no trouble at all with the soldiers. I think they had been ordered from headquarters to leave us alone. On the first trip we visited a little church in a mountain valley. Here we found the school building had been burned and one Christian house. About a mile away 19 heathen houses were in ashed. At this latter village all the men fled to the hills when they heard the soldiers were coming and their houses and grain were all burned. Up in another direction about a mile away 4 houses were burned 3 Roman Catholic, one Christian and one non-Christian, one old man, a faithful old Christian had his watch and 20 yen stolen from him and he could ill afford the loss. The next day we visited a valley where there are three churches, but strange to say the troops had not been there at all. The following day I visited Myung Dong. Here a large Christian school building, estimated to have cost Y8,000 had been burned and with it a Christian house. No one was killed. On the second trip we visited first of all, Tutogo, about 40 li from here. No one was killed in this place, but just outside the town 24 men brought from other places were shot and the dead bodies left by the roadside for days, a prey to crows and dogs. So hideous was the sight that finally some Koreans ventured to request that the bodies be buried and their request was granted. At Ottogo, our next stop, four Christian houses were burned. First the men were summoned to meet before the church. The old men and children were allowed to go while the young men were detained. Then the Christians were separated from the heathen. All were examined and then in bands of from 17 to 20 each were marched under the care of soldiers round the hills and ravines nearby. They are said to have then been blindfolded and made to sit on the ground until morning. All seems to have been done with a view to terrorizing them, making them think they were to be shot any minute, and so on. In the morning 5 men were made to lead the way to each of 4 houses, and these were burned in the usual way, viz, bundles of straw or wood being piled up inside one of the rooms and set fire to. The village was looted badly and the women frightened.

At the next place on our trip the church school building was burned and the house of the leader of the church. The school building was set fire to but extinguished when discovered that it was a church.

On the third trip we arrived after two days journey over a rough road

part of it through the woods over a mountain pass, at Hsnopeh. We arrived at nightfall. Here the church and school buildings had been burned but we found the people in good spirits. The evening of the day the church was burned they met for worship on the ashy ruins. From the following Sunday they began to hold services in three houses. Four men were killed in the neighborhood, 3 Christians among them. TWO were taken away 35 li and have never been heard of since and everyone says they are dead. One is said to have been beaten to death, his body thrown into a house and the latter burned.-****** We left this village on a Friday morning and arrived Saturday evening at a little group up a mountain valley, with nothing but high mountains on every side. Here one only had been burned, but the people, particularly the women, had been and still were very nervous. The soldiers had bothered them a good deal, clicking the catches of their rifles as though about to shoot them and so on. We spent Sunday here and had a good day. During the morning service while I was preaching soldiers appeared at the church door, causing some excitement among the members of the congregation, but they did not enter the church, simply asking a few questions of the man at the door and went on. Monday we walked 15 li to a church where there was a great deal of trouble. There were troops quartered in the village and the people were afraid to meet for services. The leader of the group and 3 other Christains and 11 non-Christians had been killed and the Church and 10 houses burned. In the ruins of one house I saw a mound which was said to contain the remains of a man who was brought from Hsnopeh, shot and his body burned in this house. We gathered 40 of the people together and had a service. Then we went back to the lower village for the night. In a village 5 li above the one just mentioned 30 houses were burned and anywhere from 70 to 80 heathen and 10 Christians killed. Two families, one of husband, wife and two children, and one of 6 including wife and children are reported to have been burned alive in their houses. It was told me by one man that the women and children had an opportunity to escape, but preferred to die with the husband and father. I rather think they were afraid to venture out for fear of being shot or bayonetted. Two days later we arrived at a village where 26 houses were burned and 4 men killed. I counted the ruins of the houses myself. Three men, brothers, were shot & their bodies burned in one house, and a Christian in another.

Similar work on the whole has been going on in many parts of our field. Reports have gone out, and a commission from the Japanese War Office was sent here. But their methods have been such that we doubt their sincerity, there being every appearance of trying to justify what phas been done instead of trying to really investigate with a view to punishing the offenders. THE leader of this commission presented a very imperitnent letter to us the day after his arrival & before he had had time to make any investigations. In this he practically accused us of aiding the Koreans in their political asperations, told us that if we would try to make good Japanese citizesn of the Koreans we would have the aid and sympathy of the Japanese government, but that if we gave aid, material or spiritual, to the Korean malcontents the future of our work was doomed. He also inferred that if we missionaries did not listen to this warning the Buddhists in Japan might feel warranted in stirring up trouble in India and Ireland. He authorized the publication of the letter giving it in toto to an AMerican newspaper correspondent who was here at the time. It was also sent to the British consul in Mukded. The [redacted] letter was published in several papers and seems to have stirred up a hornet's nest. Already the Tokyo War Office is reported to disclaim any knowledge of its contents and refuses to take any responsibility for it. It is being severely criticized everywhere & is being use to prove that the charges made of attrocities are ture, because the letter in effect acknowledges some of them. WHat the final outcome will be remains to be seen. It may be that an independent and trustworthy committee will be appointed to investigate what has been done.

I should add to the above relation of events that we have not been molested in any way except by an occasional soldier or soldiers coming onto our compound, or something similar. WE complained to our consul in Mukden and that has been stopped as we have extraterritorial rights here in China. A drunken policeman (Japanese) came up about 11 P.M. one night and caused us some trouble. We hear that he has been discharged and the military authorities apologized very profusely for the intrusion. Most of the Japanese troops have been withdrawn. There are some hundreds only here now. The Chinese government insists on all being withdrawn, but up to the present the Japanese government refuses to do so. About 30 of our churches according to news received to date have been untouched for which we are grateful. Two of our evangelists have been shot in the Hunchun district. Three or four churches and double that number

of Christian schools have been burned. Airships have several times flown over our town. Today two large ones went over, circling round and round, passing over two or three times each. They were down very low. One was numbered 101 and one 4224,

* * * * * * *

Yours etc.

Sgd. _____

Translation of a written Japanese reply to questions asked Japanese Military officials at Hun Chun by Major Philcon.

We are under deep obligations to you for having come to Hung Ch'un during the cold season: it is indeed fortunate that we see you here. Regarding the Japanese having sent out her army: I can reply to you as follows:-

(1) The exact reason for Japan having sent armies will be obvious to you after you have seen the publication of the 19th battalion officer stated in the papers.

(2) The exact number of "outlaw" Koreans we do not know. As far as we know all people killed by firearms were victims of Koreans, who did so in order to obtain both riches and food. They co-operate with brigands and Russians.

(3) The Koreans aim to secure independence and liberty. It is difficult to answer. A veil of secrecy surrounds it.

(4) The settlement of this affair is one for which officers are responsible. Should you wish to know the exact explanation I cannot answer why. They say in Hungchun that the Japanese are guilty of many misdeeds - but I have never heard of them. I was told that there was a party of Koreans living amongst the Chinese, and pretending to be Chinese, who instilled bad thoughts among the Chinese. Even if this is true there are but few of them. A severe investigation has been made. We can settle this affair between China and Japan. We will co-operate between our armies and we will succeed. Before we do so however we must have the instruction of the Commander of the 19th battalion, and we will obey his orders. They are to agree to it. We promise to pay the losses to the people as well.

(5) Mounted brigands came twice on the 15th of September and the 2nd of October, with an aim to kill the Japanese.

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
MILITARY INTELLIGENCE DIVISION
WASHINGTON

Original to M.I.2 for action

OFFICE CHIEF OF STAFF
MIL. INTEL. DIV.
MAR 25

1921 2055-400

COPY OF TELEGRAM DEPARTMENT

Peking,
Dated March 24, 1921.
Recd. March 25, 8:57, AM

C O D E

Milstaff

Washington

No. 173, March 24th.

******* ******* *******

Urga captured February 3rd, by Ungern with about 250 Cossacks, 50 Japanese and several thousand Tartars, Mongolians and Buriats. All Jews and Bolsheviks and several thousand captured Chinese soldiers killed by order of Ungern.

Undoubtedly Mongolians paid Ungern. Ungern and Mongolian forces are well equipped now by captured supplies.

Living Buddha proclaimed head of Mongolia. It was stated by Ungern that he had nothing to do with government, but, on February 17th, was leaving to attack Bolsheviks around Kiakhta. Advance south continued by Mongolians but, on arrival at Chinese village(s) which extend(s) 75 miles north of Kalgan, they will stop.

Mongolians will be satisfied with autonomy with Ungern

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P—17234

3/26/21

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
MILITARY INTELLIGENCE DIVISION
WASHINGTON

COPY OF TELEGRAM

Peking-2-
No. 136, March 24, 1921.

Ungern out. No troops will be sent to Mongolia by Chinese military authorities, thereby, in event of fighting between the people's movement of Wu Pei Fu and the militaristic movement of Chang Tso Lin, weakening their position.

That restoration of the monarchy will not be successful, if attempted, is the general opinion. Undoubtedly there is an understanding between Ungern, Semenoff, Japanese and Chang Tso Lin. From Semenoff stores at Hailar, Ungern's supplies came without Chang's interference. Ungern (**)(has not ?) captured Kiakhta. There is possibility of establishment of an independent Manchuria.

D R Y S D A L E

sbg

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P—17234

PSYCHOLOGIC SUB-SECTION

M.I.2.

1921 2055-415 APR 15

April 14, 1921.

NOTED: M.I.2. WAR DEPARTMENT APR 16 1921

MEMORANDUM:

APR 16 1921

NOTED: M.I.2

Subject: - Mongolia.

Informant: Mr. F. A. Larsen, Swedish subject. - 28 years in Mongolia. - a Duke of Mongolia. Assisted in the government - personally acquainted with the Living Buddha and others of high rank.

Language: Entirely different from other Oriental languages. - an alphabet which they (the Mongols) claim to have 120 letters. Mr. Larsen says he has contracted it to 29. Written from top to bottom, but from left to right. Words are spelled out. The construction is not inverted as in Japanese and Chinese.

Physical Characteristics: More like the Japanese than the Chinese. Far superior to the Chinese as fighters.

The Buriats are pure Mongols. They have been subjects of Russia and are well educated.

The Living Buddha is also the Emperor of Mongolia. The two offices are separate. The present living Buddha came from Lhasa as a child. The living Buddha is supposed to never die and as the old one is about to pass out he is supposed to be re-incarnated in a child who is selected for the purpose. This child may be found anywhere and the Japanese are probably anxious to have a Japanese child found or selected. The present living Buddha was elected Emperor from the nobles of Mongolia when it was decided to have a Emperor. The Mongols are friendly to all white people and to the U.S. However, they feel that the U.S. threw them down when they asked for assistance. The Buddha found that it was necessary to turn to the Japanese for assistance and Baron Unsern's advance is the consequence. The Mongols prefer the U.S. (at present) to other peoples and Mr. Larsen is authorized to grant a concession to any of them who desire to build a railroad from Kalgan to Urga. There are other concessions that they prefer to give to Americans but which are likely to go to the Japanese. The people do as the Buddha says and reflect him in their attitude towards other peoples. Therefore, there is no telling how long they will be particularly friendly to the U.S. Of course a Japanese Buddha would be to our disadvantage.

When the Dalai Lama left Lhasa on the British advance into Thibet some years ago, he went to Urga. The two Living Buddhas ignored each other but when the one from afar attracted the most attention and tribute the Urga Buddha ordered him from the country.

WAR DEPARTMENT
MIL. INTEL.
APR 15 1921
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CONFERENCE WITH MR. F. A. LARSEN

April 14, 1921

Present--Lieut. Colonel Wm. B. Graham, G. S.

Q. Do you believe Baron Ungern-Sternberg and his forces will be able to hold Urga and North Mongolia for any length of time?

A. Yes, he will hold it forever.

Q. You think the Chinese will never be able to take it?

A. No.

Q. How about the Russians?

A. Oh yes, these could take it.

He is not against the Mongols.

Q. What military action will China take toward Ungern or Mongolia?

A. He holds the territory with the Mongols. There has been a question up between the Buriats and North Mongolia.

The Buriat country is south of Lake Baikal.

Q. About how many Buriats do you think there are?

A. I cannot answer that question.

Q. What military action will China take toward Ungern or Mongolia?

A. I do not think they will do anything, because the Chinese broke the treaty. The last little fight they had with the Mongols was about eight or nine years ago. I was then appointed adviser. Two hundred Mongol hunters on horseback met 6000 regular Chinese troops, fully equipped, and the battle was over in two hours. Two hundred Mongols defeated 6000 Chinese. Of course, it was in the country where the Chinese were absolutely not at home.

Q. Have you any information on the size and character of forces now in Mongolia?

A. When I left had about 2000. That was in November. Very likely now, they have 3000. The Chinese had about 10 to 15,000 troops. There are between 5 and 10,000 Chinese troops in Urga.

Q. Who was the Chinese Commander?

A. General Chow, but I know when I left he had resigned, but do not know who succeeded him.

Q. In the end what will happen in Mongolia?

A. Well the Japanese may be able to get into there.

Q. You think the Mongols will probably favor the Japanese' coming in?

A. As a last resort they would seek Japanese protection.

Q. What, in a few words, is the political situation in Mongolia today?

A. Well, you know everything about the treaty between China, Russia, and Mongolia. The Chinese broke the treaty. Chow was the one who started. Little Hsu was the one who started that little war outside of Peking. Well, little Hsu asked if he could march his troops right through. They refused, but he explained that it was not against the Mongols. So they gave consent. Then he stopped and took the town and arrested several of the princes and instead of marching through he proceeded to take URGA. I am quite sure that the Mongols and the Living Buddha did not want to apply to Japan.

Q. Is the Living Buddha in control of the Government?

A. Oh yes. There is no question about that.

The Prime Minister died about a year ago and then the Dai Llama was appointed Prime Minister. He was the first one who agreed to permit the Chinese to march through. Later the Living Buddha found out that he had received money to let them march through. The Dai Llama did not live but a few hours after that.

Q. Are the Japanese encouraging the Mongolians in an Independence Movement?

A. Oh yes.

Q. Do you think that the Chinese Government will, this spring, direct military operations in Mongolia with a view to forcing Ungern Sternberg to withdraw?

A. I do not think so, because it will cost too much money, but they will probably send up some troops to keep Inner Mongolia, and I do not think the North Mongols will bother about the Chinese in Inner Mongolia. They have been autonomous for eight or ten years.

The Kiakhta Convention was held about 1912 or 1913.

The Mongols do not dislike the Chinese merchant. The Russians broke the treaty in a way. They promised in that treaty to help and protect them, but they did not do that. It stipulated very clearly in the treaty that neither Russia or China would let their troops in Mongolian territory.

Q. Were you over there as a Consul?

A. At that time I was the Political Adviser of Mongolian Affairs to China.

Q. Are the sentiments indicated on accompanying map correct?

Markedly Anti-Foreign--I have never heard of such a thing. I am living in this country all the time and have never heard of it. No, that is all wrong.

Q. In place of that then you would say they were friendly?

A. There is no question about that. Mongolia is not Anti-Foreign. There are from time to time Chinese soldiers that have run away and are afraid of being captured. Those are Anti-Foreign, but the population is not. The Chinese, of course, are much more Anti-Foreign than the Mongols.

Q. In the Baikal Region--Friendly toward North America?

A. Yes, I think so. Buriat region Trans-Baikalia--friendly toward North America. Yes, I think so. They want friendly trade with America.

Q. How many important tribes are there along the Siberian Manchuria border?

A. Outside the Mongols, you mean? Well, the Buriats are the most important, and then toward the west we get parts of the Kirghes. The Buriats are really the one important tribe.

Q. How much do these people think for themselves and how much of their thinking is done for them by their leaders?

A. The people themselves do not do very much. The Buriats and the Mongols are of the same religion, and even if they have ideas, they dare not give them.

Q. What are the principal questions agitating the popular mind among the people of Manchuria?

A. The people of Manchuria are mostly Chinese. There are very few native Manchurians, mostly Chinese immigrants. I am not able to give you a good statement on Manchuria.

Q. What are the mineral resources of Mongolia and what mines, if any, are being operated?

A. Nothing but gold mines are being operated, but there are silver mines, copper mines, and big iron fields. There is a small coal mine operated near Urga.

Q. Do you think there are extensive coal mines in Manchuria?

A. Very likely, but the people have not investigated.

Q. What is the possibility of the construction of the projected railway from Peking passing through Urga, connecting with the Trans-Siberian Railroad?

A. You see the Living Buddha at the same time asked for money to de(?) the Americans. No one will go into there, because we have no Consul

at all in Mongolia. The Mongols wanted to have a railroad, but of course, they could not speak for the Russian part of that.

Q. Is the wireless station in operation at Urga and are there any other stations in Mongolia?

A. The wireless station in Urga had not been operated as yet when I left. The man who had put up the station had left. He could send messages but could not receive, or was it vice versa. I am mixed up. It is probably not in operation. Do not know of any others.

Q. In case of Japanese control, what economic advantage would be afforded?

A. For the Mongols, you mean? I do not think that the Mongols would get anything except the Japanese would probably promise them enough guns and munitions to keep the Chinese out.

Q. What are the living conditions, generally, in that country?

A. All Mongols live in tents.

Q. The Mongols are just tribes then? The principal industry then is cattle raising?

A. Yes, cattle, sheep, and horses. They supply most all the horses that China needs, and also a good deal for Russia.

Q. Are they attempting schools?

A. There was a school adopted at the close of the revolution eight years ago. There was one Russian teacher and one English teacher, a Buriat teacher and a Chinese teacher.

[redacted]

[redacted] Lt Ungern
Von Sternberg

[redacted]

In the field

(d) In transit between any points within the country or coming into or going out of the country:

(d) Could you identify (i.e., give name, number, etc. of Div., Brig., Regt., Bn., or Co., and state whether Inf., Cav., F.A., Eng., etc.) the organizations to which such troops belonged and if so what were they? Mongolian cavalry trained by Russian cossack officers. About 2000

(e) Also give your conclusions concerning such troops as to their:

(1) Military value; Good fighting material

(2) Discipline; Fairly good.

(3) Spirit; Very good

(4) Rationing; Native style: meat, millet + tea

(5) Clothing; Undifferent - Some marks on the left breast

(6) Equipment; Different kinds of rifles + long Russian Cossack swords

(7) Accommodations, comfort, etc. Crude barracks with no comfort.

2. What is your general impression of:

(a) Commissioned officers; Good fighters Brave a lot of command sense

(b) Enlisted men; Good fighting spirit

(c) The Army of Mongolia (the country concerned) as a whole as to

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MILITARY INTELLIGENCE SECTION

(9) Endurance on foot — Ordinary

(10) Self reliance — Plenty of it

(11) Attitude toward the civil population — One with it

(12) Smartness of dress and appearance — Dark and Direct + affected except on horseback

(13) Discipline on duty and off duty — Not strict.

(14) Military courtesy between officers and men — Very little in use

2. In your opinion is the Army of Mongolia (the country concerned) loyal to the properly constituted government of the country and can it be depended upon:

   (a) In case of internal disturbances in its home country; — Absolutely

   (b) For service against an enemy outside the borders of its home country? — Yes

3. In your opinion what is the sentiment of the people of Mongolia (the country concerned) toward the Army; that is:

   (a) Is military service popular; — Yes

   (b) Do the people desire a large or a small army; — Only what is necessary

   (c) Is there any desire for a policy of military aggressiveness and if so, against what country or countries is this directed? — Yes, against the Chinese - to keep them out of Mongolia

5. Did you observe any Government Arsenals in Mongolia (the country considered) and if so, where; or did you observe any stores of military arms, ammunition, equipment or clothing either:

   (a) In Government stores; — One small arsenal in Urga — No.

   (b) In the hands of the people at large? — No. except there are guns in the hands of hunters scattered all not the country.

6. What military changes have you observed as taking place in Mongolia (the country concerned) which may either produce or prevent future wars

[redacted]

[redacted] any one of the others are in the Cabinet?

Peking Hsutuketu (member of Inner Council)
Urga Bandit (Foreign Minister)

4. What are their most important positions? Persons in or out of the Government?

Jargalan Wang, Johnen Wang, Entsin Wang
Pa Gendali Wang, Tzetzen Wang.

5. Are any of the Government are or anti your own country?

Pro foreign (pro white man)

6. Their backgrounds, if any are at work against your own country?

The Japanese try to preach Asia for the Asiatics

7. Does the Government in power represent any special political party or stand for any special policies? If so, what?

It stands for the independence of Mongolia

8. Which is the principal opposition party? Who is its leader? What are the principal questions on which it differs from the government?

None except a small party paid by the Chinese

9. What is the influence of the Socialist and Bolshevist parties; who are their leaders and principal personages?

---

8. What are the principal questions in the external relations; are any of these questions apt to cause trouble in the immediate future?

To keep Chinese and Russian troops out of the country. This will always create trouble

9. What important internal reforms are being carried out at present?

None

10. Has Bolshevism any foothold in the country; what are the relations with Soviet Russia? Is there any Soviet propaganda going on?

None

11. Are there any important Racial questions; are there any Racial minorities who are dissatisfied or who are specially important in the internal political situation?

The Eastern and some of the Southern Mongolians who have lost their land to the Chinese are always dissatisfied

(b) Ocean and coastal railroads:

(c) Commercial Aeroplane developments:

(d) Are communication facilities for the above adequate to support the commercial requirements?

Automobiles are coming into use slowly.

3. What are the chief industries of the country and are the manufacturing establishments adequate for peace time demands, and what efforts have been made in recent years to increase manufacture of munitions of war or machinery to manufacture same?

Cattle raising, sheep + horse raising, some gold mining — no manufacture of munitions

4. What is the financial strength of the country as determined by her gold reserve and means of revenue?

Very little.

PSYCHOLOGIC

5. What questions domestic and foreign are disturbing the popular mind sufficiently to be of note; how deeply, and is any political, economic or war pressure likely to result in the near future?

Chinese Military

6. What is the state of national morale and what is the tendency of the public mind away from tranquillity or towards tranquillity?

Courage good but scared the Chinese may take the country.

GEOGRAPHIC

2. Have you noted any new maps, particularly those of large scale of small areas showing reliefs by contours or otherwise, special maps, route maps? If so, give name and description of, date, by whom compiled and printed and where copies can be procured?

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3. Have you noted any recent publications or reports, either government or other, on the geography, natural resources, industry, government, people, etc. of any particular country which appears specially useful in covering any subjects herein? If so, state title, date, by whom compiled and printed, and where copies can be procured.

Across Mongolian Plains
by Roy Chapman Andrews
(D. Appleton & Co - New York)

Date April 27-'21 Signature F. R. Lawson

them or the country they will be on your side at once and they will always appreciate your help.

OFFICE CHIEF OF STAFF
MIL. INTEL. DIV.
MAY 24 1921
2055-436
1
WAR DEPARTMENT

9 April, '21

China
Economic

(33) Industrial.

(97) Fluctuations. (American Population in China).

From registrations at Consulates January, 1921:

Consular District	Men	Women	Children	Total	Remarks	
Amoy.	34	39	43	116	Probably	Complete
Antung	5	3	2	10	"	"
Changsha (Hunan). . . .	92	100	92	284	"	"
Chefoo	33	44	49	126	"	"
Chungking (For Szechunan)	54	85	74	213	"	"
Foochow (Northern Fukien)	72	116	91	279	"	"
Hankow (Central Yangtz)	335	357	330	1022	"	"
Mukden	38	27	18	81	" 96%	"
Shanghai (inc. Soochow Hangchow)	1133	801	696	2630	" 88%	"
Swatow	26	32	26	84	"	"
Tsinan	111	192	104	317	"	"
Total.	1933	1706	1525	5164	" 92%	"
Precentage of whole Population	37%	33%	30%			

Estimates for districts, returns not received.
(Estimates by Arnold)

Canton	225	225	200	650
Darien	15	19	10	35
Harbin	40	15	10	65
Hongkong	50	30	20	100
Nanking	110	140	125	375

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(33) Industrial. (Cont'd).

(97) Fluctuations.

Consular District	Men	Women	Children	Total	Remarks
Tientsin (inc.Pekin) U.S.Inf.& Marines not included	600	500	1400	1500	Probably complete
Tsingtao	15	10	10	35	" "
Totals. .	1055	920	775	2750	
Percentages	38%	33%	29%		
Grand Totals	2988	2626	2300	7914	(Estimated between 400 & 600 less than actual American population.)
Estimated totals	3300	2700	2350	8350	(Estimated actual American Population in China.)

Source: North China Star March 24, 1921)

In reply please refer to No. [redacted]

GHMcM/hs.

205-J-43

HEADQUARTERS PHILIPPINE DEPARTMENT,
MANILA, P. I. April 11, 1921.

From: Commanding General.

To: Adjutant General of the Army, Washington, D. C.

NOTED M. I. D. MAY 31 1921

Subject: Report on political and military situation in China.

Inclosed herewith is copy of report on above subject by Colonel L. M. Gulick, U. S. Marine Corps, Commanding, Legation Guard Pekin, China. This is a copy of a copy furnished these headquarters by the Commander-in-Chief of the Asiatic Fleet.

For the Department Commander:

C. D. Rhodes,
Chief of Staff.

1 Encl.

1 Received A. G. O. MAY 25 1921

SECRET.

1st Ind.

A. G. O., 5/24/21 To the Chief of Staff.

Fwd.

OFFICE CHIEF OF STAFF
REC'D MAY 26 1921

SECRET
M. I. D., G. S.

5/31/21 (Date) (Initials)

1 Inclosure.

AG 319.1 China

S E C R E T

S-600-P

Encl
205-3-437

UNITED STATES MARINE CORPS
Marine Detachment, American Legation
MARINE BARRACKS

Peking, China.
Feb. 15, 1921.

From: The Post Commander.
To: The Commander-in-Chief, U. S. Asiatic Fleet,
U. S. S. HURON, Flagship, Manila, P. I.

SUBJECT: Peking; estimate of emergency situation.

Reference: (a) CINC's letter E-4 S-600-p of 9 December, 1920.

1. After conference with the Commanding Officer, U. S. Army Expeditionary Force, Tientsin, China, the below report is submitted in accordance with the above reference. The Commanding Officer, U. S. Expeditionary Force will render a separate estimate of the situation to the Commanding General Philippine Department.

GENERAL SITUATION.

The present Chinese government is unstable, and political affairs are controlled by individual military commanders, having under their command troops which they are able to train, equip, and maintain from personal or private funds. It is believed that in the near future, probably within the next few months, that a situation will arise, not unlike that of last summer. It is believed that on this occasion, however, and on all subsequent occasions of purely local political disturbances and unrest, that no hostile attitude will be directed toward the United States' or other foreign citizens.

War involving the United States with any power other than Japan, cannot be conceived and is regarded as highly improbable at this time, consequently such a situation will not be discussed.

Foreigners and Chinese alike with very few exceptions, constantly speak of war between Japan and the United States as inevitable. The native and foreign press throughout the Far East daily print articles emphasizing the strained relations between Japan and America. Japanese dockyards are reported as working day and night on submarines and other warcraft. It is a wellknown fact that the Japanese press has been delib-

A. G. Inclosure.....

erately creating in the minds of the simple Japanese a sentiment hostile to America and Americans. Japanese are easily excited and extremely emotional. More than any other people in the world the masses are influenced directly by their officials and the propaganda of the press which these officials control. As the result of this and official propaganda the masses of ignorant Japanese in Japan and China sincerelybelieve that war between Japan and America is inevitable and that America will surely be crushed. In short Japanese in China and elsewhere are now excited and some trivial incident may lead to serious disorders, even involving war between Japan and America. In such an emergency Japanese troops in China could rely on the support and sympathy of the entire Japanese population of China and their paid agents only. In China the American troops would have the sympathy of foreigners and Chinese alike but in the early stages of the war would receive actual support only from the American community, and to a lesser extent from the voluntary services of some very few Russians, Koreans, British, and Chinese subjects. In Siberia and in Manchuria we could count with certainty on the support of the Russian troops of the Far Eastern Republic and of Soviet Russia and on the Korean Independence leaders for active assistance to America against Japan.

The assistance of Russians and Koreans in case of hostilities warrants the most serious consideration of our government. It is certain that the Russian troops of the Far Eastern Republic and Soviet Russia would immediately begin operations to assist us in the war against the Japanese, provided they were given any encouragement whatever in such an undertaking. The attitude of the Russians may soon change in case our Congress and State Department continue to disregard the feelings of the masses of the Russians, by insisting on a trade embargo and other measures, tending to prevent political independence of the Russian people.

There is known to be a certain hysteria regarding Bolshevism, and a possible dread in America of entering into any relations whatsoever with the Soviet or Far Eastern Republic, but if by entering into these relations with them we further our national interests, this feeling on the part of the people of America, who are certainly ill-informed regarding the Russian situation, should not defer the proper committees of Congress in any undertakings that are so vital to our national welfare.

(defer?)

It would seem reasonable to assume that in case of war between Japan and America or any other war, Japan must rely in a large measure upon supplies from the Asia mainland to enable her to carry on the war, and for this pur-

pose she will maintain what troops seem necessary in China particularly along the railway lines of communication, so as to expedite and facilitate the securing of necessary supplies.

There is at present one battalion of Japanese troops at Tsingtao, one battalion at Hankow, two battalions along the Shantung railway, one battalion at Tsinanfu, and, in addition, one battalion of about one thousand at Tientsin. The 16th Japanese division is garrisoned along the South Manchurian Railway and between 25,000 and 35,000 Japanese troops are in Eastern Siberia.

In China we may be prepared for a sudden, premeditated and unexpected attack, by Japanese troops reenforced by the entire able-bodied male Japanese population. Justification of this assumption is found in the sudden and unwarranted attack on unarmed American soldiers, in the French concession in Tientsin two years ago, by a mob of armed civilians lead by mounted Japanese officers and by the Japanese vice-consul mounted. The Japanese mob had worked itself into a frenzy of rage and could not be restrained. This incident was at a time when there was no war talk whatever, and if such an incident should occur at the present time it would have more far-reaching and serious results.

At the present time it is conceivable that a deliberate, sudden, and unprovoked attack by the Japanese upon the American communities or troops in China must be considered. The neutrality of Chinese territory would be entirely ignored. At present our army has a full regiment of about 1200 excellently equipped troops in the concession at Tientsin. They are separated from the Japanese compound, where there is a garrison of about equal strength by the British concession. Even the neutrality of this British territory might be ignored in this instance. It would be utter folly to expect the Japanese to observe the laws of warfare. The barbarity and cruelty of the Japanese would exceed anything alleged against the Germans in the recent war. Before the actual announcement of the war by the Japanese, some simultaneous movement to cripple our naval or military force may be expected. Force in its most elemental and destructive form would be the surest argument to affect the Japanese mind in such a situation.

It is possible and conceivable also that the Japanese would remain in their proper concessions in China, prior to and even after the declaration of war but it is certain that they would make every effort politically and otherwise to secure the assistance of the Chinese in hindering American operations and assisting the Japanese whereever possible.

The Japanese War Office would immediately place large sums at the disposal of their agents in China for the purpose of supplies, the bribery of officials, the destruction of American shipping, interference with American communications and with sources of American supplies in China.

Japan is dependent upon the mainland for a part of her food, coal, and iron. The Kamchatka fisheries, wheat and the beans of Manchuria and Shantung, iron of Manchuria and the Yangtze valley are all important to Japanese operations. Vladivostok, Fusan, and other Korean ports, Dairen and Port Arthur, Tsingtao, Shanghai and the Yangtze river, Foochow, Amoy and the Formosan ports are important to Japan. The Chinese Eastern, South Manchurian, and Shantung Railways, are all necessary for transportation of valuable supplies to Japanese controlled ports on the mainland.

It would be advantageous for our government to have in China an organization and large sums of money to control agents who should: (a) be sent to Russia and Siberia to secure assistance and support from that section; (b) organize a mission to Korean borders which would get in touch with Korean Independence leaders to secure assistance from at least a million dissatisfied Koreans; (c) send agents to all provincial capitols of China to secure assistance and retain the good-will of the Chinese, to direct such diplomatic pressure as would be possible to bring China into war against Japan, as will surely happen if they could be assured of American success. Officers and men, now here and who should in the future be sent, would be necessary to assist in organizing the Chinese. Such Chinese organization is fundamentally and entirely lacking in China.

Even should the Peking government refrain from taking active part with America in the war, it is practically certain, under the existing conditions, that the southern government at Canton could be induced immediately to give us all the assistance within their power. At any rate individual leaders could be paid to assist in preventing shipments of supplies to Japan. For example, Wu Pei Fu, one of the strongest Chinese generals, would without doubt offer the services of his entire command at such time as we thought it proper and opportune to receive active assistance.

Organized troops of Chinese could be formed with the object of destroying all Japanese ships entering Chinese harbors, destroying all supplies in the possession of the Japanese in China, interfering with communication of such supplies as the Japanese may be shipping to Japan, wrecking of arsenals and ironworks, whereever there is a possibility of the Japanese using the materials against the United States. These Bands could operate in Manchuria, the Liaotung peninsula, Shantung or between the Japanese troops in their areasand their bases on the mainland. With proper direction, organization, and funds numerous forces of Chinese, Koreans and other foreigners could be

used secretly or otherwise to hinder Japanese communication.

In discussing this subject it is assumed that the first serious operations of war would be American naval operations attempting to bottle up the Japanese navy and prevent Japan from receiving supplies from any source but Asia and, of course, even Asia if possible. Millions of dollars could be well spent by an organization in China or Russia, preferably China under an office combining the Naval, Military, and Commercial Attaches with such assistance from the American Legation Guard personnel as would be available.

From the gunner's report this board was copied for use of the Col. U.S. Drysdale in A. Peking.

SPECIAL EMERGENCY SITUATION

The principal mission of the American Guard at Peking, which consists of about three hundred men, is guarding the American Legation and its personnel, collecting and bring in foreigners in case of seige, and the protection of the navy radio station. It is believed that in case of hostilities or premature action by Japan prior to the outbreak of hostilities, it would be a physical impossibility for this command to leave Peking as a unit. Such a move on our part would probably lead to the blowing up of the troops entrained or an attack from superior forces. Our departure would leave the legation personnel unprotected and lead to the destruction of the radio station, which might otherwise be used by an army of occupation. The departure of the American guard from Peking would seriously effect our prestige with all neutrals. This action would undoubtedly be openly criticized by all neutrals, especially the Chinese, and the United States Government ridiculed by all nations. The prestige of Americans would be severely effected, and this action might tend to influence China against coming into the war as our ally.

There are in Peking between two and three hundred male American citizens, all of whom, to a degree at least speak the language and are familiar with Chinese habits, and customs, and many of whom might be utilized as agents, members of missions, and for spreading propaganda against the Japanese. The departure of the American Guard at the opening of hostilities, when Americans were in danger would no doubt tend to lessen the activities of these valuable Americans in the interests of our government. At present there are also, attached to this command, men who have had years of service in China, and some of whom speak fairly good Chinese. These men would also be most reliable in the above-mentioned work and in gaining information.

All officers who have ever studied the language of China or Japan should be immediately made available for duty here, in case trouble is anticipated.

In the event of hostilities, seige or stoppage of

supplies from any source, including provisions actually in store and due on requisition, 1,100 persons (800 exclusive of the guard personnel) could be subsisted with a variety menu for a period of four months; by using emergency rations the same number could be subsisted for a period of six months. Under the same conditions as noted above, the guard personnel alone could be subsisted for a period of ten months. The following is a list of tentage, ammunition, and arms on hand and enroute to the post:

Sufficient tentage to comfortably house 936 persons
1011540 Cartridges, ball, cal. 30
36000 Cartridges, ball, cal. 45
950 Shells, shotgun
2500 Shells, shotgun (riot)
2700 Shells, 3" shrapnel
228 Rifles, Springfield, cal. 30
36 Rifles, Browning Auto., cal. 30
10 Rifles, Browning M.G., cal. 30
25 Guns, Riot (shot)
5 Guns, shot, double barrel
6 Guns, Landing, 3"
15 Pistols, Colt auto., cal. 45

in addition to which there are 64 Colt automatic pistols two hundred and seventy rifles in the hands and in use by the personnel of the guard.

The guard is thus well equipped for the defense of the compound in case of seige.

The Commander-in-Chief's Campaign Order #3, directs the legation guard at Peking to proceed to Cavite by the first available transportation. The Commander-in-Chief's Campaign Order #4 directs this force to make its best of way to United States forces or to join forces friendly to the United States. Referring to the former it is inconceivable that transportation would be available or could be secured from China to the Philippines to carry out these instructions. Referring to Campaign Order #4 it is doubtful whether or not this force could reenforce the Fifteenth Infantry at Tientsin. The joining with Yangtze or Shanghai forces would be more difficult than the former idea of joining the Army at Tientsin. Other friendly forces in China would be the neutral legation guards in Peking.

PLAN OF ACTION TO BE FOLLOWED BY THE AMERICAN GUARD.

(a) The Legation Guard to remain in Peking as a defensive force for the protection of the legation, Amer-

icans who seek refuge in the legation, and the important radio station situated here.

(b) To use the offices and personnel of this guard either secretly or otherwise in interfering and embarassing the activities of the enemy.

(c) To remain as a refuge for the Army force in Tientsin should they be compelled to withdraw from Tientsin and seek refuge elsewhere.

L. M. GULICK

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2066-449

SUBJECT CANTON, KWANGTUNG PROVINCE, CHINA.

From M. I. COMBAT.

No. 2560. A Date January 1st, 1920. 19

Replying to No. Date REC'D M.I.D., G.S. JUN 17 1921 19

13 - LOCATION.

The following report dated November 25th, 1919, was received from a most reliable source in Canton, Kwangtung Province, China.

1. Map of the city. A map in twelve sections, the largest obtainable, is submitted. This was prepared by the Military School of surveying. All notations on it are in Chinese. No map of the city with notations in English is obtainable. In order that the disadvantage of only Chinese notations might be minimized, the points of possible interest were noted and numbered in red ink and an index to them prepared. This index is appended. Certain places as were requested noted on the map.
2. Map of the District coming under observation. A blue-print map of Canton and vicinity is enclosed. On this not only were the outlying Mission compounds noted but certain other points of special interest from a military point of view have been indicated.
3. Information necessary to Commanders of troops in Canton.
   (a) Buildings, exclusive of private dwellings, that might be occupied by 100 or more troops.

American Mission Compounds.

Paak Hok Tung Suburb. Map 2.No.1. The Administration Building and Dormitory of the True Light Girl's High School. property of the American Presbyterian Mission. modern American construction. Electric Lights and Water Works. Could quarter about 300 men. The Administrathion Building of the Union Theological College. Could quarter 100 men.

Fati Suburb. Map 2 No.12. American Presbyterian Mission. Noyes' Memorial College(Pui Ying Academy) buildings and dormitories. Water Works. Could quarter 250 men or more.

Wong Sha Suburb. Map 2 No.15,16,17. American Board Mission (Congregational). Buildings and dormitories. Electric Lights and Water Works. Could quarter some 200 men.

Missions Building, the Bund, Canton, Map 2 No.26. A Modern Office Building, five storeys. Could quarter 200 men or more.

Y. M. C. A., the Bund. Map 2 No.31. Modern structure. Electric Lights and Water Works. Could quarter easily 500 men.

Tungshan Suburb. Map 2 No.35. Southern Baptist Mission. School buildings and dormitories. Water Works. Could quarter 200 men or more.

Canton Christian College. Map2 No.59. Modern Buildings. Water Works. Could quarter a thousand men or more.

Other

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Other Mission Compounds have buildings which could be used to quarter about 100 men. See index to Map 2.

Other Modern Buildings.

Name.	Nationality	Location	Capacity.
Standard Oil Co. Warehouses	American	Map 2 No. 3.	400 men.
Asiatic Petroleum Co., Warehouses	British	Map 2 No. 2-2a	300 men.
Hamburg-Amerika Line Warehouses	" Bought by Jardine Matheson Co.	Map 2 No. 4.	200 men.
Berlin Mission	German (or) Chinese	Map 2 No. 6.	200 men.
The Sun Building(The Asia Hotel)	British-Chinese.	Map 2 No. 76.	1000 men.
Butterfield and Sweir Warehouses.	British	Map 2 No. 65.	400 men.
Chinese Maritime Customs International Club(Outdoor Staff).		Map 2 No. 64.	200 men.

Several other modern hotels might be used to accomodated some 100 to 200 men in each. The following hospitals are modern structures, with all modern conveniences, equipped for surgical work, practicing western medicine.

Kung Yee Hospital	Chinese	Map 2	No. 39.	120 beds.
Hospital Doumer	French	"	" 30.	75 "
Canton Hospital	International	" 2	" 25.	250 "
David Gregg Hospital for Women		Map 2	No. 16.	100 ")
Kwang Wah Hospital	Chinese	" 1	Sheet 5 No 35.	50 ")

There are some five or six other Hospitals using semi-foreign methods.

Public buildings of Chinese design are enumerated in the index to Map 1 (in 12 sections). It should be noted that there would be no difficulty in finding buildings in any quarter of the city in which troops could be quartered. It should be mentioned that the places called mausoleums are quite pretensious in size. The Wing Shing Maussoleum Map 1 sheet 1 No.3. is used by the commander of Yunnan Troops for headquarters.

(b) Suitable camp sites for troops and animals.

The road leading to the Yin Tong Parade Ground and barracks was built for military purposes. The present military forces in control occupy barracks in this district. The White Cloud Mountain is reached by this road. The chain of foothills to the north and northeast of the city connect with White Cloud mountain where a fortress and garrison of Kwangsi troops is located. By reference to the blue-print maps 2 and 3 it will be noted that the forts and barracks at the north of the city, near the Five Storey Pagoda, and to the north east in the vicinity of the Yin Tong Road, control the entire city. The topography of this region make it

strategically

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strategically important for holding the city, harbor, and entire region. The arsenal, powder factory, water works filter beds and pumping station are all accessible from White Cloud Mountain, which can be ascended from the south or north by a well protected route. The railways, Canton-Kowloon, and Canton-Hankow, are both controlled from White Cloud Mountain and could easily be connected by a track just at the eastern foot of the mountain, near Yin Tong parade ground and barracks. Cooperation with the navy would be easily maintained because of the curve which makes the river not distant either at the west or southeast.

Thus it would seem best to consider Yin Tang for a camp site.

Three other localities might be mentioned as suitable camp sites. At Paak Hok Tung (Map 2 No.1.) high land rises beyond the foreign (American) Residential settlement to the salient hill locally called "Mount Sinai". This hill was used by Lung Chi Kwang when he attempted to take the city of Canton some years ago. In general the land is level after the first ascent from the river, rising but gradually to the hill mentioned. If the force were to be located in Canton for prctection purposes only rather than for occupation and military control this site would be quite suitable.

At Canton Christian College another site might be found. Considerable tracts of untilled land, well drained, and accessible lie in the immediate vicinity of the College.

Should it be considered wise to remain on the same side of the river that the city occupies, a camp site could be found at Tungshan (Map 2 No. 35 and 37.).

(c). Available water supply.

At the Yin Tong wells within the barracks supply water in sufficient quantities. On White Cloud Mountain springs very near the summit would supply water sufficient for the number of troops that would be needed on the mountain. When it is understood that all water must be boiled and filtered it can be said unequivocally that there is water in sufficient quantities everywhere in this region.

(d). Wood is brought to the city on junks from up river points. The supply is large enough to furnish fuel for about 150 steam tugs that operate in the delta and that use wood exclusively on account of the high price of coal. The supply could be increased it is believed and were contracts let special supplies could be arranged for.

Although coal mines are not distant from Canton, and the coal mined could be used for cooking purposes the supply used by naval vessels of the southern government is imported

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is imported from Japan. Merchant vessels depend upon Hongkong supplies. The railroads have used native coal to a limited extent, but due to likin taxes imposed by officials and to the inferior quality the prices demanded for native coal have become comparatively too high and Japanese coal is now used.

(e) Food Supplies.

Beef, pork, and poultry, rice, sweet potatoes, Chinese green vegetables, and fruits (orgnges, bananas, pomelos, etc) may be purchased locally in sufficient quantities. Flour, frish potatoes, and beans are imported from north China. The supply of flour and beans in storehouses is usually quite large.

(f) Local supplies of gasoline and oil.

The Standard Oil Company of New York and the Asiatic Petroleum Co., Ltd. (British) both have large installations in Canton. A stock of gasoline varying from 5000 gallons to 2000 gallons is kept in Canton. About 100 tons of fuel oil is carried by the Asiatic Petroleum Company. Kerosine oil is distributed from Canton in large quantities. The amount on hand at any time is uncertain. But for large supplies of either kind of oil or for gasoline a notice of twenty-four hours is sufficient to obtain supplies from Hongkong.

(g) Wireless or radio equipment.

The central radio station is located at the East parade grounds(Map 1. sheet 1. No.96.) The equipment of the station is as follows:

The quenched musical spark system is used. The apparatus was installed about fifteen years ago by a German engineer, was manufactured by the Telefunken Company, and is in good repair. An internal combustion engine burning kerosine oil drives the dynamo. The engine is of 50 H.P. capacity. The drive is by belt. The dynamo has the following specifications: KW 15, volt. 115/160, amp. 130/194, R.P.M. 900, D.C. Sixty storage betteries are used, each with a capacity of 2 amperes. Fifty are inconstant use, ten being auxilary. These batteries are not in very good condition, many plates needing to be replaced. The moter-generator set is as follows: motor- volt. 110, amp. 91, K.P.M. 1100/2200, D. C. generator-Volt. 220, amp. 45/8 K.P.M. 1500, frequency 500, KW 8, A.C.

The sending apparatus is in good condition. It is also the Telefunken system. The real current developed is 35 amperes radiation as a maximum. The sending distance for daytime is 700 miles, for night 1300 to 1500 miles. Waves of the lengths numbered 600, 1200, 2100, and 3000 can be sent.

The receiving set does not give entire satisfaction.

It is

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It is also the Telefunken Receiver, is of the C. A. H. type with an intermediate circuit, and with an auxilary condenser for receiving long wave messages. The receiving distance by day is about 1300 miles, and by night about 3000 miles.

The installstion of a more modern receiving apparatus is contemplated and would be advisable should the plant be required for serious work. At present, whether due to lack of proper care or repairs, or whether due to the inefficiency of the aparatus, the messages from any distance are very indistinct.

Two other smaller stations are in use in the city. In the northeastern part of the city in connection with a regimental headquarters there is a small station. This is used principally for training operators and has only about ½ KW capacity. The apparatus is extremely miscellaneous, some parts being Telefunken material other having been made here. The range of the station is about 100 miles as a maximum and its only practical value is in transmitting messages to river gunboats in the vicinity.

The naval wireless station is also very small. The above description applies to it as regards apparatus. It however is used a great deal for short distance messages. It can transmit messages about 200 miles and receive them from a slightly greater distance. For messages to Hongkong, Macao, Samshui, or to the river gunboats stationed in this district, this station is used.

The director of wireless has informed this office that it is the intention of the Military Government to construct two more large stations in the south. These will be established at Nanning, Kwangsi, and Wuchow, Kwangsi. A third station of smaller capacity will be established at Lungchow. It was requested that American firms be advised of this project and that prices be submitted inclusive of apparatus, materials, engineering specifications, and installation. The larger stations will be of 5 KW capacity and the small one of 2½ KW capacity. At the same time it was requested that American firms supply certain parts for the apparatus now in use.

The station at Samshui is also a very small one having been ocuippèd with spare parts from the other stations in Canton. It however has a practical value in directing the movement of river gunboats.

(h) The railroad that would be of chief value is the Canton-Kowloon railway connecting Canton and Hongkong. There is more than a mile of siding. It is understood that the rolling stock is insufficient and that purchases are anticipated. But it would be possible to find plenty of freight cars as freight traffic is not very heavy, Canton

being

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being on tide water. Regarding the port and the depth of water and suitable locations for landing troops by launch it is felt that data furnished by naval vessels located regularly at Canton would be much more valuable. Notations of government jetties and wharfs have been made, a copy of a map, "Canton Anchorage", prepared by the Harbor Master's Office, is being enclosed, and it is suggested that if no copies of navigation charts, such as are used by our gunboats, are on file at the Legation, such be purchased either through the commanders of nacal vessels in these waters or through this office.

Merchant vessels with a draft of 20-22 feet navigate the river and harbor. The maximum rise of tide is 8 to 10 feet, the minimum being 2½ to 5 feet. Vessels drawing 15 feet of water can navigate on all tides and in all seasons.

(i) Barracks which are in present use by troops in this vicinity are located outside of the city to the east. The largest is the Yin Tong Barracks. Some three thousand soldiers are quartered in these barracks which are not in very good repair. After investigating the various barracks. it seems best to state that the buildings used and which could be used are practically unlimited. But all of these buildings would have to be repaired and remodelled before they could be used by American troops. There are no foreign garrisons in the city or district.

(j) The location of each of the following has been noted on the maps as follows:

Water-works:	Filter bed and pumping station	Map 2 No. 72
	Water Tower	Map 1. Sheet 8 No. 14.
Electtric Light Plant		Map 2. No. 32.
Telegraph station:	Main office	Map 1 Sheet 8 near No. 9.
	" Shameen office.	
Telephone;	Central exchange	Map 1 sheet 4 near No. 9.
	Eastern Exchange	Map 1 sheet 5 near No. 6d.
	Weastern Exchange	Map 1 sheet 8 near No. 27.
	Southern Exchange	Map 1 sheet 9 No. 1.

(k) The government Arsenal (Map 2 No.s 69 and 70) is divided into two departments. In one small arms, such as rifles, pistols, bayonets, and swords are made. In the other ammunition for rifles and pistols and machine guns together with some small artillery ammunition is made. The Government Powder factory (Map 2 No. 71) produces both black and smokeless powder. The efficiency of these plants is indicated to a certain extent by the fact that importation of munitions has been prohibited through Hong-

kong,

and has been

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and has been made practically impossible and yet the troops are apparently quits well supplied with arms and ammunition. It is rumored that machine gun has been produced which renders fair results in service.

The following industries might be of military importance: Hip Tung Wo Co., builder of hot-bulb crude oil engines, copied from the Bolinder Engine, has a factory equipped with American machinery. There are three other such factories constructing engines, all of them smaller than the Hip Tung Wo factory which is located at Fati, Canton. (Map 2 No.5). The Star Leather Factory (Map 2 near No.60) makes very good leather using modern methods and American machinery. The Government Cement Works (Map 2 No.60) although at present bankrupt, due to bad management and "squeese", has a large plant and in the past made cement of excellent quality. The railroad shops might also be of military value.

(l) A map (No.3) showing the proposed widening of streets is enclosed. The city wall has been razed, streets cut through congested districts, andat present about 45 % of the proposed streets completed. Completed roads are indicated by a red line, where the work of demolition is complete but the paying incomplete a red dotted line is drawn. It should be but a matter of weeks before the majority of these streets are open to automobile traffic. The sufacing is macadam. The roads already completed are in good condition in all seasons.

(m) In addition to railways as mentioned in the notations on map No.1 coolies and boats are the two means of transportation for supplies. Waterways are the arteries of communication in this province. Boats ranging from steam tugs to "sampans" may be obtained by the thousand on very short notice. Several hundred steam tugs towing passenger and freight lighters ply between Canton and other cities in the province. Carts and wagons are used only in the city and to a very limited extent. Pack animals are not used in this province. Coolies are always available in large numbers. Exact figures of the number of boats or men cannot be set as it is not known when an attempt to obtain large numbers of either was ever made.

(n) A list of American residing in this consular district, by cities, is submitted to the Legation annually and will be found on file. A new list will be prepared in December.

(O) The list of Chinese which is appended is by no means exhaustive. So many hundreds of Chinese in this district have been to America in years past, and so many thousands now have relatives residing there, that it is impossible to list all pro-American Chinese. From

observations

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observations related by all Americans and many British it would seem that the entire population would side with the United States in a time of war against any other nation and particularly in a war against a certain power.

(p) Places in which aeroplanes can land or take off.

The Yin Tong Parade ground is the largest and best situated place. It is about 600 yards by 1000 yards in size. The next largest place is the North Parade ground. Map 2 No. 81. With slight grading this field could be made rectangular with a length of 500 yards and a breadth of 200 yards. No buildings in the vicinity would ocstruct the take-off. The East parade ground could be used for take off or for landing, but the presence of wireless masts at one side of the field would make its use somewhat hazardous. At present this field is being filled with earth from the demolished city wall, the prupose being to convert the field into a public garden. Two or three other fields, some inside the city and others in the suburbs could be used for take off or landing under emergency. But for general work would be too small and generally unsuitable.

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Fung Pak Liu,	Li & Fung, Choy Lan Street,
Hung Sau Sun,	Standard Oil Co. of N. Y. Shameen.
S. C. Leung,	Y. M. C. A.
Chan Kin Hing,	"
Dr. Holt A. Cheng,	Canton Kowloon Railway Co.
Rev. Y. L. Tse,	Y. M. C. A.
Dr. Lau Tsz Wai,	Tin Ping Street,
Dr. Lau Tung Shang,	Tai Sun Street, East.
Chung Wing Kwong,	Canton Christian College.
Y. T. Chiu,	"
Chan Chup Ng,	"
Y. C. Kwan,	Pui Ying Middle School, Fati.
Tse Tsok Kai,	Electric Supply Co.
Peter Hing,	Luen Tsui Co., Sai Ho Hau.
Hin Wong,	Canton Times.
Leefong Ahlo,	"
Ching Tso Yee,	Bureau of Education.
Job Fong,	Chung Mei Drug Co.
Dr. T. M. Leung,	Mission Building.
Fung Chung Yu,	Butterfield & Swire,
Chu Lok Ting,	International Banking Corporation.
Fung Tso Wan,	Asia Banking Corporation.
Fan Hok Pang,	Meurer Freres.
Ching Sau Tak,	Star Leather Co, Pak Hok Chow, Honan.
Dr. K. S. Kwan,	Salt Inspectorate.
Dr. Lau Ying Kit,	Woodland dispensary.
Peter Law,	Tai On Dispensary, Yee Wo Street.
Dr. Tso Kut Fan,	Kau Tan Chee, Sai Ho Hau.
Ngan Hing Chiu,	Andersen Meyer & Co., The Bund.
Wong Man How,	Bureau of Foreign Affairs,
Chung Shu Wing,	Po On Drug Co., 2nd Bund.
Lam Yuk Man,	6 Kui Yan Lee, Honam.
Lee Tse Chung,	Bank of Canton, Ltd., Ho Pun St.
Pun Tat Mei,	Fati Orhanage, Fati.
Wong Tai Pun,	Y. M. C. A.
Hui Man Fai,	"
Dr. Kwong Pun Shek,	21 Tai Ping Sha.
Dr. Lai Lan,	Lai Yung, Sup Pat Po.
Lo Siu Ki,	Tungshan.
Rev. Gam Sing Kwok,	Fung Loy East Street.
Backsing Wong,	5 Wing Wah East Street.
Kelly Wu,	Canton Municipality.
Wong Chuk Chow,	Long Yuen Co., Sup Pat Po.
Frank W. Lee,	Canton Times.
Col. Lee Yew Shu,	Military Government.
Chan Lup Foo,	A. S. Watson & Co. Ltd., SHAMEEN.

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Dr. Leung Shun Yu, Cheung Lok St.
Dr. H. W. Nye, 3 Ching Wan Lee, My Mar St.
Wai Chuk Ling, Shewan Tomes & Co., Shameen.
Kum Yat Ming, 16 Ngo Chow, Honam.
Leung U. Kwai, Gerin Drevard & Co., Shameen.

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